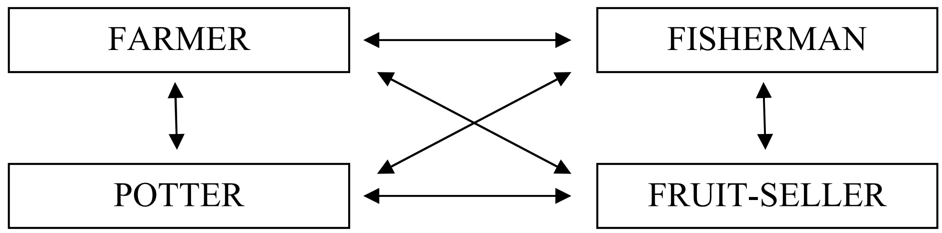
UNIT1- INTRODUCTION

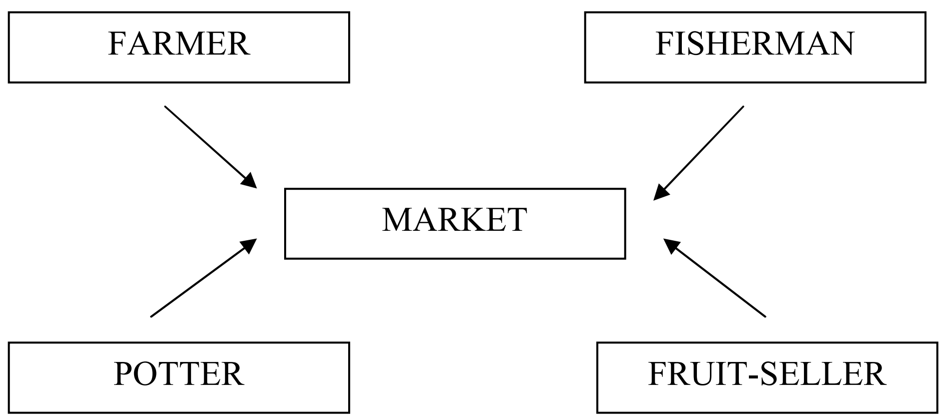
➲ EVOLUTION OF MARKET

The concept of marketing is as old as other professions of the world. Marketing is indeed an ancient art. It has been practiced in one form or the other. The traditional objective of marketing had been to make the goods available at places where they are needed. This idea was later on changed by shifting the emphasis from ***"exchange"*** to ***"satisfaction of human wants"*** which is known as modern marketing. However in order enrich the views of marketing it is better to trace out the evolution. The following are the stages of evolution:-

1) **The Barter System:-** At this stage, human beings were in nomadic hunter stage. In this primitive period, the human beings were nothing more than hunters or food gathers. The human beings with his surplus products approached and tried to exchange his products by accepting the products he needed- exchange of products for products.
2) **The New Stone Age:-** This stage is known as Agrarian period. In this stage human beings developed a sense of belongingness and developed family units. As time passed, the division of labour began to play its role and man started producing more than he needed and specialized in activities like carpenters, weavers, agriculturalist etc. To disposed of the excess producing, people assembled in places called local markets and later, it developed into shops, bazaars etc.
3) **The pre-industrial period:-** The difficulties of barter system were removed by adopting common mediums of exchange like copper, iron etc and later this medium of exchange was changed to silver, gold etc. At this stage, producers began to produce the products in larger quantities, employed the services of labourers in their factories; and middlemen, through whom sales were conducted, appeared.
4) **The Industrial Period:-** In this stage, home production was replaced by factory system and hand operations were replaced by machines. Because of the introduction of new inventions along with the new machines, the production was on large scale. Mass productions were followed by large-scale consumption. In order that the products may reach the hands of the ultimate user, new methods of marketing appeared.



<u>Decentralized Exchange</u>



<u>Centralized Exchange</u>

➲ MEANING AND DEFINITION OF MARKET

- ✓ The term 'market' is derived from Latin word called 'marcatus' which means trade, merchandise, traffic or place of business.
- ✓ In ordinary language, the term market refers to a certain place where buyers and sellers personally meet each other and make their purchases and sales.
- ✓ ***According to Cornot***, "Market is meant not any particular place in which things are bought and sold, but the whole of any region in which the buyers and sellers are in such free intercourse with one another, that the price of the same goods tends to equality easily and quickly".
- ✓ ***According to Chapman***, the term market refers "not to a place but to a commodity or commodities and buyers and sellers who are in direct competition with one another".

- ✓ ***According to W.J Stanton and Others***, "Any person or group with whom an individual or organization has an existing or potential relationship can be considered as market".
- ✓ By analyzing the above definition we can define the term market refers to an exchange activity which takes place between buyers and sellers directly or through middlemen, in a place or otherwise, for a price, resulting in physical delivery of ownership of goods.

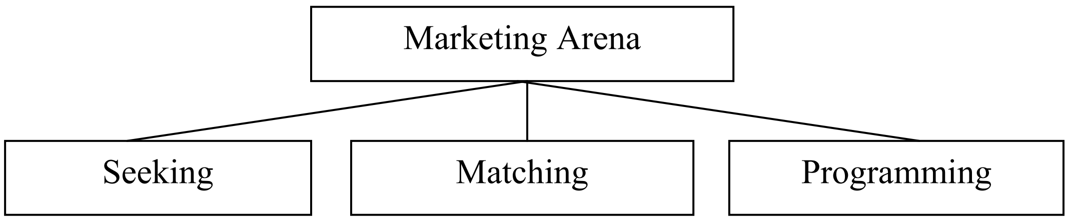
➲ MEANING AND DEFINITION OF MARKETING

Marketing is a comprehensive term and it includes all resources and a set of activities necessary to direct and facilitate the flow of goods and services from producer to consumer in the process of distribution.

- ✓ Marketing is referred to a process of creating or directing an organization to be successful in selling a product or service that people not only desire, but are willing to buy.
- ✓ The **traditional meaning of marketing** is clearly borne out by the definition given by ***Ralf S. Alexander and Others***, "Marketing is the performance of business activities that direct the flow of goods and services from the producer to consumer or user".
- ✓ The **modern concept of marketing** was defined by ***E.F.L. Breach*** as, "Marketing is the process of determining consumer demand for a product or service, motivating its sales and distributing it into ultimate consumption at a profit".
- ✓ By analyzing the above definition we can define the term marketing as a business process which creates and keep the customer.

➲ MARKETING ARENA

The word "ARENA" is derived from Latin word "HARENA" which means smooth or fine. Marketing arena is a process of composing of a large open space surrounded on most or all sides by varieties of products and brands.



a. ***Seeking:-*** The purpose of seeking is to discover the customer and customer needs. The marketing opportunity is revealed through an analysis of the environment.
b. **Matching:-** Marketing is a matching process. Customer demand has to be matched with organizational resources and environmental limitations, such as competition, government regulations, general economic conditions and so on.
c. **Programming:-** The marketing programme, called the marketing mix, covering product, price, promotion and distribution strategies will be formulated and implemented to accomplish the twin objectives of customer satisfaction and profitability.

➲ OBJECTIVES OF MARKETING

The following are the most significant objectives of marketing and are:-

1) **Creation of Demand**
The objective of marketing is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and services.
2) **Customer Satisfaction**
The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers' needs. Modern marketing is customer-oriented. It begins and ends with the customer.

3) **Market Share**
Every business aims at increasing its market share, i.e. the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative advertising, innovative packaging, sales promotion activities etc.

4) **Generation of Profits**
The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

5) **Creation of Goodwill and Public Image**
To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

6) **Apply effective and intelligent modern marketing policies**
Changing growth rate, rapid technological change and new aggressive rivals all made every marketing firm to adopt and respond to change for survival and prosperity. So it is necessary for the firms to scrutinize its expenditure and make maximum profits by adopting themselves to viable and matching methodologies, techniques and practices. For example, Time Management, Just-in-time etc.

➲ IMPORTANCE OF MARKETING

Marketing

- Towards Society
  - Raise Standard of Living
  - Creates Employment
  - Development of Economy
- Towards Company
  - Helps in transfer & movement of goods
  - Source of Revenue
  - Source of New Ideas

A. TOWARDS SOCIETY

1) **Helpful in raising and maintaining the standard living of the community Marketing**

   Marketing is the creation and delivery of standard of living to the society by making available the uninterrupted supply of goods and services to consumers at a reasonable price. Society comprises of three classes of people i.e. rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing.

2) **Creates Employment**

   Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing etc. In each such function different activities are performed by a large number of individuals and bodies. Thus, marketing gives employment to many people.

3) **Helpful in Development of an Economy**

   Marketing is the key to sets the economy revolving. The marketing organization, more scientifically organized, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.

B. TOWARDS COMPANY

4) **Helps in Transfer, Exchange and Movement of goods**

   Marketing makes goods and services available to customers through various intermediaries like wholesalers and retailers etc. Marketing is helpful to both producers and consumers.

5) **Source of Income and Revenue**

   Marketing generates revenue by providing many opportunities in the process of buying and selling the goods, by creating time, place and possession utilities. This income and profit are reinvested in the concern, thereby earning more profits in future.

6) **Source of new ideas**

   The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the unique products.

➲ APPROACHES OF MARKETING

The following are the most significant approaches of marketing and are:-

1) **Commodity Approach**
   In this approach the focus of study is on specific commodity. Under this approach the study focuses on the flow of a certain commodity and its journey from the original producer right upto the final customer and it includes conditions of supply, nature and extent of demand, the distribution channels used etc. Agricultural products like wheat, jute, cotton represent the commodity approach.
2) **Institutional Approach**
   Under this approach, the interest of marketer centers around the marketing agencies i.e. transport and service agencies viz., wholesalers, retailers, banks, transport undertakings, insurance companies etc., who participate in discharging their marketing responsibilities during the movement of distribution of goods.
3) **Functional Approach**
   Under this approach, marketer concentrates his attention on the specialized functions or activities like buying, selling, storage, risk bearing, transport, finance etc. These functions are also studies in relation to given commodities and marketing institutions in terms of their operational methods and systems.
4) **Managerial Approach**
   This approach is also known as Decision- making approach. The focus of this approach is on the decision-making process. The study encompasses discussion on planning, organizing, controlling, directing etc. This approach is considered the most useful way of studying marketing activities.
5) **Societal Approach**
   This approach focuses on the social contributions and costs created by various marketing activities and institutions. In this approach the focus of study will be on the interactions between the various environmental factors and their impact on the well-being of society.
6) **System Approach**
   The approach recognizes the inter-relations and inter-connections among the components of a marketing system in which products, services, money, equipments and information flow from marketers to consumers. The focus of this approach will be on the analysis of marketing flows and communication.

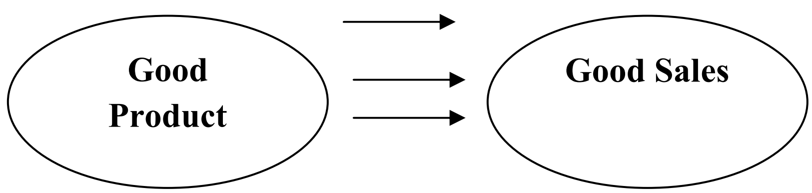
➲ MARKETING CONCEPT/PHILOSOPHY/ORIENTATION

According to Prof. Robert F Hartley, Marketing concept/philosophy/orientation is "an integration of marketing activities directed towards customer satisfaction". This marketing philosophy undergone a thorough and gradual change since the Industrial Revolution. This gradual change can be traced under four periods and are explained below:-

1) Production Orientation Philosophy

This production-oriented marketing concept was built on "Good wine needs no push." This philosophy states that if the product is really good and the price is reasonable, there is no need for special marketing efforts. The assumptions of this concept are:-

- ✓ Anything that can be produced can be sold.
- ✓ The most important task of management is to keep the cost of production down.
- ✓ A firm should produce only certain basic products.



2) Sales Orientation Philosophy

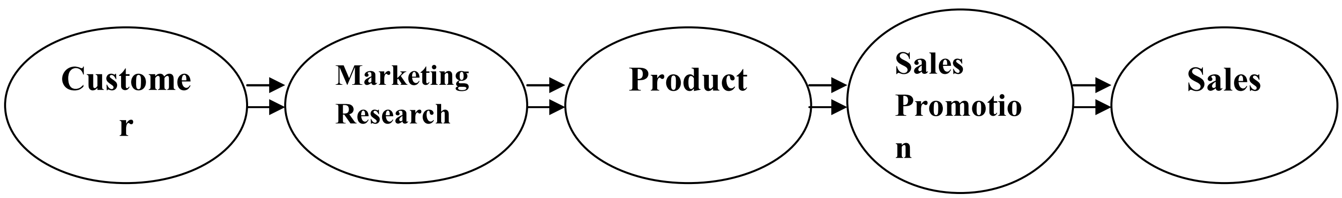
The essence of this philosophy is "Goods are not bought but sold." That means mere making available the best product is not enough; marketing becomes fruitful only when they get into aggressive salesmanship. Effective advertisement, sales-promotion and public relations etc are top most important for creating demand. The assumptions of this philosophy are:-

- ✓ Producing the best possible product.
- ✓ Finding the buyer for the product.
- ✓ The management's main task is to convince the buyers through high pressure tactics, if necessary.

3) Customer Orientation Philosophy

This philosophy study and understand the needs, wants, desires and values of potential consumers and produce the goods in the light of these findings so that consumer specifications are met totally. Here, the staring point is the customer rather than the product and it also emphasis the role of marketing research. The assumptions of this philosophy:-

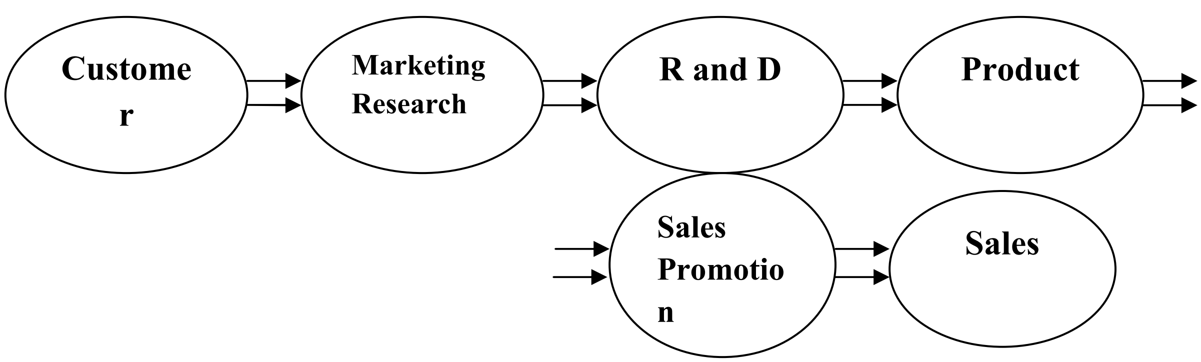
- ✓ The firm should produce only that product as desired by the consumer.
- ✓ The management is to integrate all its activities in order to develop programmes to satisfy the consumer wants.
- ✓ The management is to be guided by 'long-range profit goals' rather than 'quick sales.'



4) Social Orientation Philosophy

This philosophy cares for not only consumer satisfaction but for consumer welfare or social welfare. Such social welfare speaks of pollution-free environment and quality of human life. For example, an automobile not only fuel efficient but less pollution one. The assumptions of this philosophy are:-

- ✓ The firm is to produce only those products as are wanted by the consumers.
- ✓ The firm is to be guided by long-term profit goals rather than quick sales.
- ✓ The firm should discharge its social responsibilities.
- ✓ The management is to integrate the firm's resources and activities to develop programme to meet these individual consumer and social needs.



➲ DIFFERENCES BETWEEN SELLING AND MARKETING

Sl.No.	Selling	Marketing
1	Selling is mere the exchange of goods for money between the seller & the buyer	Marketing is more comprehensive term. It includes not only selling but also all other activities which help the movement of goods from the center of production to the center of consumption
2	Selling comes at the end of the manufacturing cycle	Marketing comes at beginning of the manufacturing cycle
3	Selling is concerned with the creation of mere possession or ownership utility	Marketing is concerned with creation of place, time and possession utility
4	Selling focuses on the product	Marketing focuses on the customers
5	Selling is product-Oriented	Marketing is Consumer-Oriented
6	It emphasis on the needs of Sellers	It emphasis on the needs of Buyers

➲ DIFFERENCES BETWEEN TRADITIONAL AND MODERN MARKETING

Sl.No.	Traditional Marketing	Modern Marketing
1	It is concerned with the performance of activities necessary to secure the distribution and sale of goods which the producer has	It is concerned with the performance of activities necessary to secure the distribution and sale of goods as are needed by the consumer
2	It focuses on sellers needs as it is Sales-Oriented Marketing	It focuses on consumers' needs as it is Consumer-Oriented Marketing
3	The selling efforts of a concern are Company-Oriented	The selling efforts of a concern are Market-Oriented
4	It aims at profit through increased sales volume i.e. more sales	It aims at profit through increased sales to the satisfaction of the consumers and profit to the sellers
5	It aims at short-term objectives i.e. short-term profits	It aims at long-term objectives i.e. long-term profits
6	It can be successful only in a country where there is a seller's market	It can be successful only in a country where there is a buyer's market

➲ FUNCTIONS OF MARKETING

FUNCTIONS

Functions of Exchange	Functions of Physical Supply	Facilitating Functions
1. BUYING a. Planning b. Contractual c. Assembling d. Negotiation **2. SELLING** a. Product Planning b. Contractual c. Demand Creation d. Negotiation	1. Transportation 2. Storage	1. Financing 2. Risk Bearing 3. Market Information 4. Standardization 5. Pricing 6. Branding 7. Packaging 8. Salesmanship 9. Advertising

A. FUNCTIONS OF EXCHANGE

1. BUYING

Buying is one of the functions of exchange that refers to all such activities in the assembling of goods, under a single ownership and control. This function involves the following:-

a) Planning: The buyers must plan in order to determine their needs. Business buyers must study their own markets to know the quantity and quality of goods that are required by final users.

b) Contractual: This involves finding out the sources of supply, keeping in touch with them, to get the goods quickly, reasonably, sufficiently and regularly.

c) Assembling: This is one of the important functions where goods produced at different places must be assembled in order to serve promptly the needs of manufacturers, wholesalers, retailers and consumers.

d) Negotiation: The terms and conditions of purchase are negotiated with the seller. After this final agreement are made & the transfer of titles take place.

2. **SELLING**

Selling is the sum total of all those activities that push the commodities to the buyers at a profitable price. This includes the following:-

a) ***Product Planning:*** Product-planning refers to planning or forecasting of consumer wants and desires in terms of price, quality, quantity, time etc to meet the requirements of consumers as demanded by them.
b) ***Contractual:*** In this function, the seller finding out and locating the consumers and establishing and maintaining relation with them.
c) ***Demand Creation:*** This includes all efforts of sellers to induce buyers to purchase their products. In order to increase sales, demand creational efforts like personal selling, advertising etc are undertaken by seller.
d) ***Negotiation:*** Negotiations as to terms of quality, quantity, price of the product, time and mode of transport, payments etc are to be made with the prospective buyers.

B. FUNCTIONS OF PHYSICAL SUPPLY

1) **Transportation:** Transportation refers to the physical movement of goods from places of production to places of consumption. The transport function of marketing involves the selection of particular mode of transport, depending upon the speed and cost.
2) Storage: Storage refers to the holding and preserving of goods between the time of their production and the time of their sale. It facilitates the steady and continuous flow of commodities to the market throughout the year and it also helps to adjust the supply of goods to the demand.

C. FACILITATING FUNCTIONS

1) **Financing:** The service of providing the credit and money needed to meet the financial requirements of the various agencies engaged in the various marketing activities. Even though finance smoothens the process of exchange and acts as a lubricating oil to the wheel of marketing.
2) **Risk Bearing:** Marketing involves a number of risks. The risk may be loss of goods due to fire, flood, cyclone, earthquake, theft etc. Some of this risk can be avoided through proper planning like insurance and hedging.
3) **Market Information:** The function of marketing information refers to the collection, analysis and interpretation and communication of marketing information to the concerned people for efficient marketing.

4) **Standardization:** Standardization is a measure of designation for quantity. It consists of list of specifications based on size, colour, appearance, shape, amount of moisture etc. In other words, it is refers to the act of grading.
5) **Pricing:** Pricing is the process of determining the value of a product or service in terms of money before it is offered to the market for sale.
6) **Branding:** Branding is the process of identifying the name of a producer with his product by affixing to the product the trade name represented by words or designs. For example, HUL branded Vanaspathi as DALDA.
7) **Packaging:** Packaging is the use of containers and wrapping materials plus decoration and labeling to protect the product, to help and promote its sales, and to make it convenient for the customers to use the product. In short, it is the art of designing and producing the package for a product.
8) **Salesmanship:** Salesmanship is the process of understanding, appreciating and influencing customers to buy a commodity or service for mutual benefit.
9) **Advertising:** Advertising means informing the public about the existence of a particular product or service, stimulating their desire for the product or service and inducing them to buy the same.

➲ MARKETING ENVIRONMENT

- ✓ Marketing does not exist in vaccum. It exists in a world of concrete places and things, natural resources, important abstractions, and living persons. It has to interact and transact with its environment.
- ✓ The term Marketing Environment refers to the forces and factors that affect the organization ability to built and maintain good relationship with its customers.
- ✓ In other words, marketing environment refers to "all those internal and external factors which impact the performance of a product or firm for its decision-making."

Marketing Environment

Internal environment	External environment	
	MICRO	**MACRO**
Ethical Force	Competitor	Demographic
Human Resource	Customer	Economic
Financial Resource	Supplier	Cultural
Production Resource	Intermediaries	Political & Legal
Research & Development	Public	Technological
	Workers & Union	Natural

A. Internal Environment

The internal environment is composed of the elements within the organization, including current employees, management, and especially corporate culture, which defines employee behaviour. Although some elements affect the organization as a whole, others affect only the manager.

In other words, the internal environments are controllable factors because the company has control over these factors.

1) **Ethical Force:** Almost every business conduct their marketing operations based upon business ethics and morals which are all absolutely essential to establish a positive reaction in the marketing world. The business community must have their ethical responsibility while delivering the goods to the society otherwise it leads to negative impression.
2) **Human Resource:** The characteristics of human resource will also contribute to the success or failure of business enterprise. Characteristics like employee skill, efficiency, attitude, perception, morale, risk-taking capacity etc may vary from employee to employee and from organization to organization. Training and monitoring changing behaviour of employees is required to hold work efficiency.

3) **Financial Resource:** Financial factors like financial policies, apparatus, financial position and capital structure are also important internal elements affecting marketing activities, performance strategies and decisions.
4) **Production Resource:** Raw materials of the company and their utility also affect the decision of the company. Productive capacity, technology and efficiency of productive apparatus, distribution logistics etc are all the factors influence the competitiveness of a business firm.
5) **Research and Development:** Effective decision-making may be possible when there is a mind of innovation in the organization. In this fast moving corporate world, it is needed for a company to make decisions to suit changing environment and also for sustain ability of the organization for a prolong period.

B. External Environment

The external environment is composed of all the outside factors or influences that impact the operation of business. The business must act or react to keep up the flow of operations.

In other words, they are generally uncontrollable factors because the factors are beyond the control of the company.

The external environment can be divided into two types:-

- Micro environment
- Macro environment

i. MICRO ENVIRONMENT

Micro environment is also called as a *task* and *operating environment* where it studies the small part or individual unit of the business. It includes:-

1) **Competitors**

No company can enjoys monopoly in this business world. Today's competitive environment consists of certain basic things which every firm has to take note of. A firm's competitors' includes not only the other firms in which they also market the similar products but also those who compete for the discretionary income of the consumers. Competition has two different sense in today's market and are:-

Brand Competition, for example, Philips TV faces competition from other companies like Videocon, Onida, BPL etc this is called brand competition.

Product form competition, for example, if consumer wants to purchase two-wheeler, the next question in his mind is with gear or without gear; self-starter or quick-starter etc this is called product form competition.

2) **Customers**
According to Peter.F.Drucker, "there is only valid definition of business purpose, that is to create a customer" and thus the major task of a business is to create and sustain customers because business exists only because of its customers. Customers may be of difference categories like individuals, households, industries and other commercial establishments and government. Monitoring the customer sensitivity leads to business success.

3) **Suppliers**
Suppliers are those who supplies the inputs to the company. Supplier behaviour and attitude may also affect the company. Hence, multiple sources of supply often help to reduce such risks of the business concern. For example, Toyota always have some precautionary measure on suppliers so they prints "Suppliers Guide."

4) **Marketing intermediaries**
It includes middlemen such as agents and merchants who help the company to find customers and sell the product to them. They are vital links between the company and the final consumers. A wrong choice or dislocation of the link may cost the company heavily. Both the company and the intermediary are responsible for the following aspects:-
   - The company should review the performance of middlemen periodically.
   - Middlemen always help the company to overcome the discrepancies in quantities, place, time and possession.

5) **Public**
Literally word 'public' refers to people in general. According to Philip kotler, "A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives." Companies must put their primary energy into effectively managing their relationships with their various public like supplier, customer, media, competitor, distributors, investors, bankers etc.

6) **Workers & their Union**
Workers are the pillars of the company. So the workers now prefer to join trade unions where it protects their interests, improve their working conditions etc. from the company's point of view, industrial relation is more important to improve the company, otherwise conflict between labour and management leads to sick unit.

ii. MACRO ENVIRONMENT

It is also known as *general* or *remote environment*. It studies the larger part of the business in general.

a) Demographic

Demographic environment is the study of human population in terms of its size, density and distribution. This includes age, sex, martial status, ethnic status etc.

b) Economic

Marketing depends on the economic environment to sell the finished goods. Inflation, vary interest rates, supply of money, demonetization etc will influence the demand and willingness for a product.

c) Cultural

Culture is understood as that complex whole which includes knowledge, belief, art, morals, law, customs and other capabilities and habits acquired by individual as a member of a society.

For example: American brand of car named "NOVA" in Spanish it means "STAR" but in spoken it means "DOESNOT GO OR COME ALIVE". Due to the public demand the named get changed.

d) Political and legal

This factor influences the operations of marketing, which includes government regulations, policies, declaration, nature of constitution etc. For example: USA attracts international traders through its political stability and dynamic government.

a) Technological

According to *J K Galbraith*, a technology is a "systematic application of scientific or organized knowledge to practical tasks.

The company engaged with the innovations, inventions and findings let them to implement their business ideas and which results to profit and growth.

b) Natural

Manufacturing is one of the essential part of the marketing activities in which it totally depends on the natural environment for its inputs like raw materials, water, fuel etc.

➲ MARKET SEGMENTATION

- ✓ Market Segmentation is the strategy of ***'divide'*** and '***conquer.'*** i.e. dividing the market in order to conquer them. So, it is refers to the division of total market into a sub-market is called as market segmentation.
- ✓ ***According to Philip Kotler***, Market Segmentation refers to "the process of classifying customers into groups with different needs, characteristics, age, sex or behaviour etc."
- ✓ ***According to W J Stanton***, Market Segmentation consists of "taking the total heterogeneous market for a product and dividing it into several sub-markets or segments each of which tends to be homogeneous in all significant aspects."
- ✓ By analyzing the above definitions we can define the term market segmentation as the process of dividing the larger market into several sub-markets.

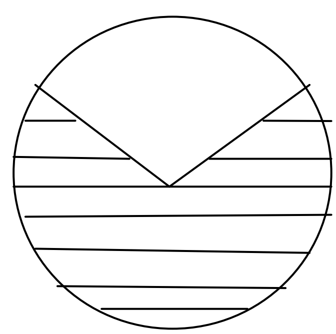
➲ STRATEGIES OR STRATEGIES OPTIONS OF MARKET SEGMENTATION

1) Concentrated Marketing

A firm may decide to concentrate all available resources on one chosen segment within the total market. It selects a market area where there is no strong competition and it can do best in that area.

For example: a publishing house may be concentrate only on text books; Rolex watch company concentrated only on costly, quality and high-priced watches.

However, it is an ***"all-the-eggs-in-one-basket" strategy***. It demands innovation in order to ensure customer patronage continuously.

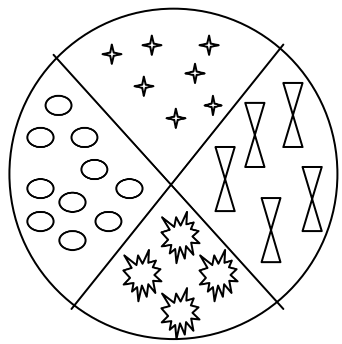


2) **Differentiated Marketing**

An organization under differentiated marketing strategy, enters many marketing segments but has a unique marketing mix appropriate for each segment. It wants to do business successfully in several segments.

For example: Hindustan Unilever Limited has one brand of bath soap for each market segment.

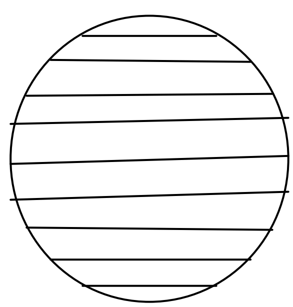
However, differentiated marketing has one disadvantage viz., higher production and higher marketing costs.



3) **Undifferentiated Marketing**

Marketing firm does not prefer to segment the market but just makes an attempt to design a product and a marketing programme that appeals to the broadest number of buyers. In this strategy market is concerned with mass marketing.

For example: Coco-Cola Company followed such a strategy of – one brand, one product, one bottle, for one big market.



It uses the *"Scatter Shot Philosophy"* i.e. production of product in large in disorganized way rather than focusing on particular segment.

➲ BASES FOR EFFECTIVE MARKET SEGMENTATION

Market Segmentation being the key input in firm's marketing planning process. Managers are expected to examine a variety of segmentation criterion so as to identify those that will be most effective in defining their markets. There are two basic approaches to identify the market segments and are explained in the following chart:-

Market Segmentation

Based on consumer personal characteristics	Based on consumer responses (behavioural)
1) Geographic 2) Demographic 3) Socio-economic 4) Psychographic	1) Benefits 2) User Status 3) Loyal Status 4) Attitude

A. ON THE BASIS OF CONSUMER PERSONAL CHARACTERISTICS

Consumer characteristics approach is called as *people-oriented* market segmentation. It includes:-

1) **Geographic:** In this segmentation, the whole market is divided into different geographical units. Generally, the market is divided into regions- northern, southern, western, eastern and so on. Each region may consist of several states and districts. Each state or district consist region or zone for business operations.
   For example: Hindustan lever and Proctor & Gamble are all national makers in India.
2) **Demographic:** Market is sub-divided into different parts based on demographic variables such as family size, sex, age, marital status, education, rural-urban, religion etc. Demographic variables are the most popular bases for segmenting the market place.
3) **Socio-economic:** Income, occupation, education and social classes are the important socio-economic data required for market segmentation. These are required to target population in the market. This type of segmentation base

generally used for durable products such as automobiles, household appliances, electronic items etc.

4) **Psychographic:** Consumers are sub-divided into different groups based of personality, life style and values. The personality variables are dominance, aggressiveness, objectivity, achievement etc all these influence the buyer behaviour.

B. ON THE BASIS OF CONSUMER RESPONSES

This approach is also known as *product-oriented approach*. It includes the following:-

1) **Benefits:** Under this, the consumers are sub-divided into specific groups in relation to the various benefits that the buyer is seeking from a product in particular. These benefits sought differ from product to product. These benefits are the aspects of quality, services, economy and specialty etc.

   For example: CAR. The basic function of car is transportation but people prefer different cars because they seek different benefits.

   a. ***Quality:*** There are people for whom the quality is important: they buy Mercedes Benz, Skoda Octavia.
   b. **Services:** People buy things to avail some specific service: they buy Ambassador Bullet- proof car.
   c. **Economy:** The price may be important deciding factor in case of any purchase: they buy Maruthi 800.
   d. **Specialty:** People can be adventurous and sporty in purchase decisions: they buy Ferari.

2) **User Status:** Markets can be segmented into various classes depending on the usage rate and consumption pattern of buyers. The difference categories are:-

   a. ***Light User:*** These are the categories of the users who are very infrequent users. In case of cosmetics an average housewife who is not very fashion conscious is a light user of cosmetics.
   b. ***Medium User:*** The fashion-conscious teenagers are the medium users of cosmetics, that is, they use it frequently.
   c. ***Heavy User:*** There are people for whom the cosmetics are the most important purchase and they are heavy users of it. Celebrities in entertainment world, the models etc. need cosmetics on a regular basis, as it is the most important of their profession.

3) **Loyal Status:** Consumers have varying degrees of loyalty to specific brands, stores and other entities. Buyers can be divided into four groups according to brand loyalty status.
   a. ***Hard-Core Loyal:*** Consumers who buy one brand all the time. We find people who have been using colgate for years without caring which other brands are coming in and going out of the market.
   b. ***Spilt or Safe Core Loyal:*** Consumers who are loyal to two or three brands. Pepsodent after its launch found some customers of Colgate switching between the two brands.
   c. ***Shifting Loyal:*** Consumers who shift from one brand to another. Customers can be found to keep on switching off from Colgate to Close-up and then to Pepsodent without consistency.
   d. ***Switchers:*** Consumers who show no loyalty to any brand. These are the people who will buy any brand that is available in the market.
4) **Attitude:** A market may be segmented by classifying people in it according to their enthusiasm for a product. Five attitude groups found in a market and are:-
   a. ***Enthusiastic:*** These are the people having tendency of impulsive purchase. They may not carry cash all the time but suddenly decide to buy something.
   b. ***Positive:*** They are serious but mobile people who need to buy suddenly at any time.
   c. ***Negative:*** People can be spend thrifts who fear of loosing money or misusing it.
   d. ***Indifferent:*** These are some people who are technology averse with systematic purchasing pattern. They would prefer to purchase with cash after thinking over the need for purchase.
   e. ***Hostile:*** People at times become very much irritated either by sales-people calling or meeting any time, giving false promise or by the service provided.

➲ REQUISITIES OR CRITERIA FOR SOUND EFFECTIVE MARKET SEGMENTATION

The market segmentation to be worthwhile six criteria and are explained below:-

1) **Identity:** Identification is a process of defining the target population and also classifying an individual as being or not being a member of the segment. Members of such segments can be readily identified by common characteristics which display similar behaviour.
2) **Accessibility:** Organization must be able to focus its marketing efforts by accessing market in two different senses i.e. promotion and distribution. Firstly, the firms must be able to make them aware of products or services. Secondly, they must get these products to them through the distribution system at a reasonable cost.
3) **Responsiveness:** A clearly defined segment must react to changes in any of the elements of the marketing mix. For instance, if a particular segment is defined as being cost conscious, it should react negatively to price rises. If it does not, this is an indication that the segment needs to refined.
4) **Size:** The segment must be reasonably large enough to be profitable target. It depends upon the number of people in it and their purchasing power. For example, makers of luxury goods may appeal to small but wealthy target markets whereas makers of cheap consumption goods may sell a large number of persons who are relatively poor.
5) **Nature of Demand:** It refers to the different quantities demanded by various segments. Segmentation is required only if there are marked differentiation in terms of demand.
6) **Measurability:** The purpose of segmentation is to measure the changing behaviour pattern of consumers. For example, the segment of a market for a car determined by a number of considerations, such as economy, status, quality, safety, comforts etc.

➲ MARKETING MIX

Marketing mix means blending or combining of the four elements of marketing, viz., the product, the price, promotion and place into a marketing plan by a business firm to influence the desired buyers' response by satisfying their needs and wants in the most effective and economical manner.

According to Philip Kotler, marketing mix defined as "the set of controllable marketing variables that the firm blends to produce the response it wants in the target market."

- ***Product:*** A product is a bundle of utilities consisting of various product features and accompanying services.
- ***Price:*** Price is the amount of money paid or payable to acquire a product and its accompanying services.
- ***Promotion:*** Promotion compasses all the tools in the marketing mix whose major role is persuasive communications.
- ***Place:*** Place refers to the arrangements for the smooth flow of goods and services from the producers to the consumers. It covers channels of distribution.

UNIT2: PRODUCT

➲ INTRODUCTION TO PRODUCT

The product is described as a "Heart of Marketing." It is the most important element of the marketing mix. In fact, the product is the starting point of all marketing activities.

- ✓ In common pariance, "a product is a set of tangible, physical and chemical attributes assembled in an easily identifiable and readily recognizable form."
- ✓ A product is any object which has an identifiable physical existence. For example: Books, Shoes, Furniture, Fruits etc constitute products.

➲ DEFINITION OF PRODUCT

- ✓ ***According to W. Anderson,*** "a product is a bundle of utilities consisting of various product features and accompanying services."
- ✓ ***According to C P Stephenson,*** "a product is everything the purchaser gets in exchange for money."
- ✓ By analyzing the above definitions we can define the product as a "anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need."

➲ ESSENTIAL FEATURES/CHARACTERISTICS OF PRODUCT

The features of product are given below in detail:-

1) **Tangible Attributes**
   A product should have the characteristics of tangibility i.e. it may be touched, seen and its physical presence may felt.
2) **Intangible Attributes**
   A product may be intangible in the form of a service like repairing, banking or insurance services.
3) **Associated Attributes**
   Product may have certain peripheral attributes to facilitate its identification and acceptance by buyers such as brand, package, warranty, credit facility and after sale services etc.
4) **Product Symbolism**
   A product is accepted from varied angles from different customers. For example, a customers' choice of a Indian made product over a foreign make symbolizes patriotism. Similarly, buying balcony ticket in a theater is a status of symbol.

5) **Product Life Cycle**
Every product would have its own life cycle. The product life cycle has five stages viz., Introduction, Growth, Maturity and Decline.

6) **Exchange Value**
All products should have an exchange value and should be capable of being exchanged between buyer and seller for a mutually agreed or acceptable consideration.

7) **Consumer Satisfaction**
Product should have the ability to satisfy consumers. It may be real or psychological. That is when a women buys a lakeme lipstick she not only buys a chemical compound having some tangible features but also buys beauty.

8) **Business Need Satisfaction**
The basic business need obviously is to earn profit on the product sold, it may be to meet a societal need also. For example, fuel efficient small car is a success in middle class society.

➲ CLASSIFICATION OF PRODUCTS

Product

- Consumer Goods
  1. Convenience Goods
  2. Shopping Goods
  3. Specialty Goods
  4. Unsought Goods
- Industrial Goods
  1. Raw Materials
  2. Capital Items
  3. Fabricated Materials
  4. Supplies & Services

I. **Consumer Goods**

Consumer goods refer to "goods designed for use by the ultimate consumers or household and in such form that they can be used without commercial processing." In short, goods that are produced for final consumption are called consumer goods. Consumer goods can be further divided into:-

a) ***Convenience Goods:*** Goods that are frequently purchased by consumers with minimum of efforts are called consumer goods. For example, biscuit, newspaper, food items, drugs etc.
b) ***Shopping Goods:*** Shopping goods are those that are bought by the customer only after careful comparison is made regarding quality, price, stability etc. For examples, furniture, fans, dress materials etc.
c) ***Specialty Goods:*** Specialty goods are having unique characteristics and for brand identification for which a significant group of buyers are habitually willing to make special purchasing effort. For example, cars.
d) ***Unsought Goods:*** Unsought goods are those the consumer does not know about the product or does not normally think of buying. For example, life insurance, encyclopedia etc.

II. **Industrial Goods**

Industrial goods are those that are used by buyers as inputs in producing other products. For example, machine tools, trucks etc. Industrial goods are further divided into:-

a) ***Raw Material:*** Raw materials directly enter the finished product. They are required to be processed or assembled to create a product. Only after processing they become consumer goods. For example, agricultural products, assembly parts etc.
b) ***Capital Goods:*** Capital goods are used for creating finished goods. They create form utility to a product. They are long-lasting in nature. For example, building, equipment, plant & machinery.
c) ***Fabricated Material:*** These are industrial goods that become a part of finished goods. They will reach ultimate consumer only when they are assembled with other parts. For example, automobile parts, batteries etc.
d) ***Suppliers & Services:*** These items do not form part of finished product. They are short-lasting in nature. For example, coal, writing paper etc are operating supplies. Services include maintenance and repair services.

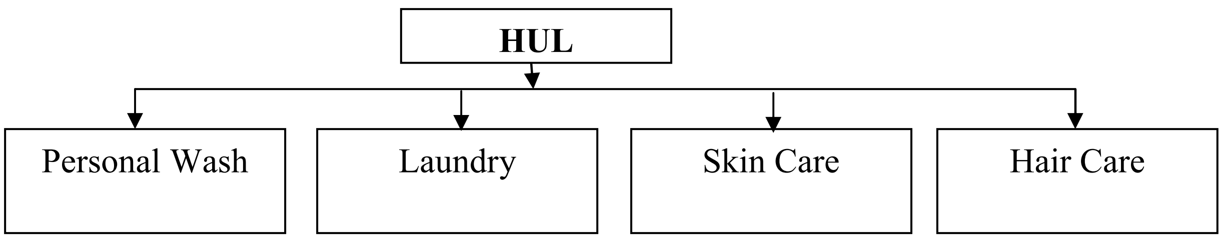
➲ PRODUCT MIX

Product mix is also known as ***"Product Assortment"***. Product mix is defined as "the set of all product lines and items that a particular seller offers for sale to buyers."

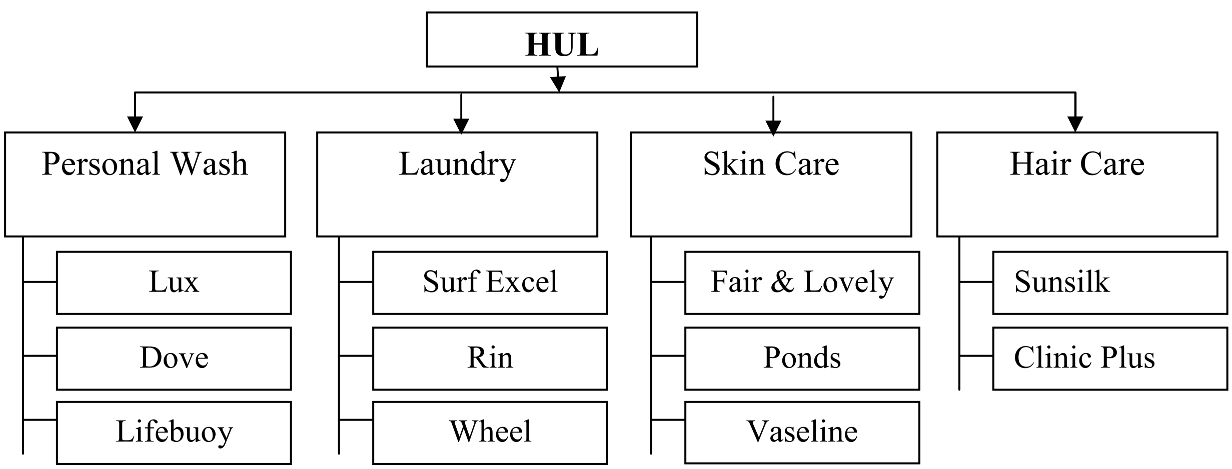
In other words, the total number of product lines that a company offers to its customers is called ***product mix***. The number of products within the product line is called as the ***product items***.

Product mix contains the following dimensions and is as follows:-

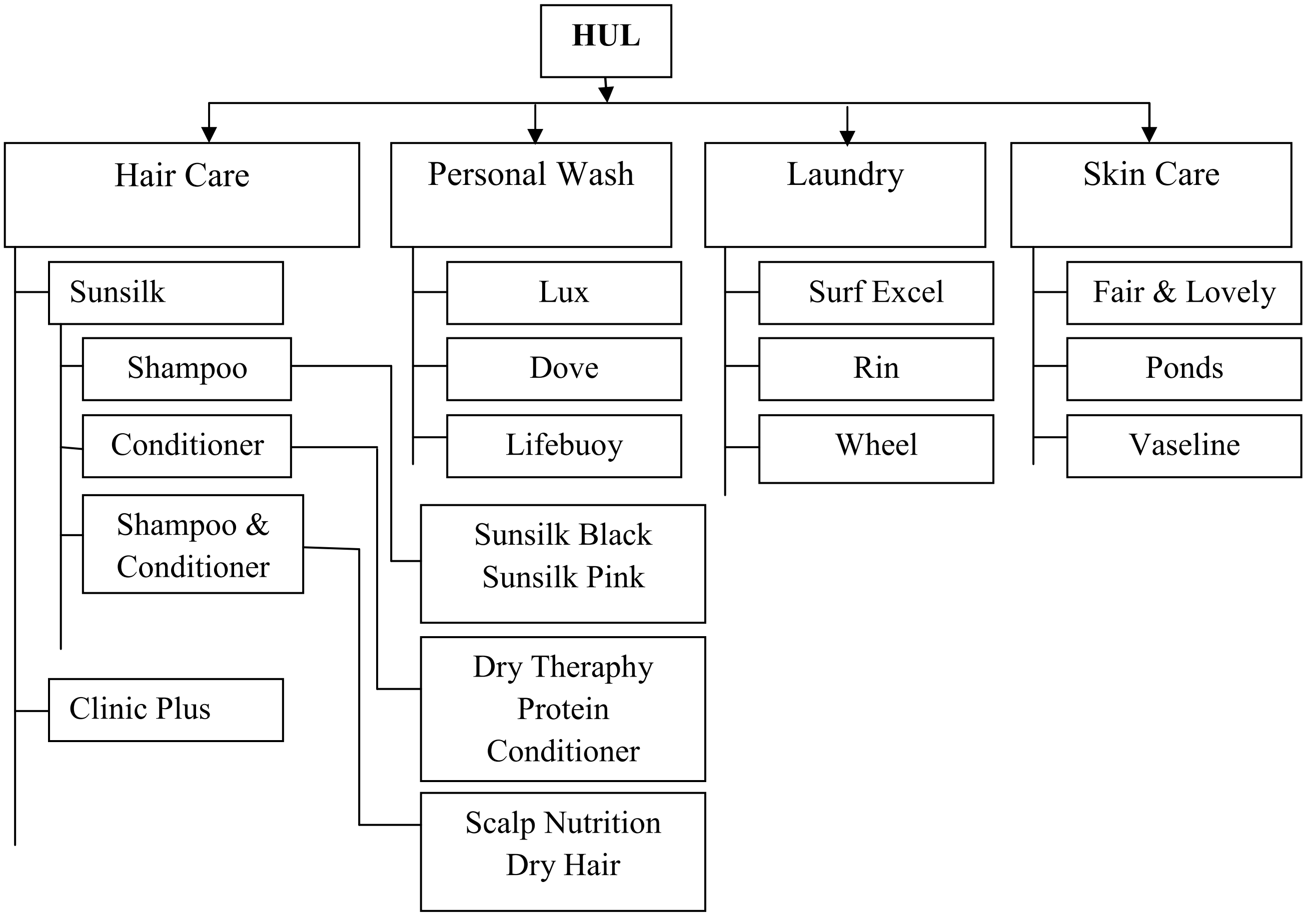
1) **Product mix width/breadth:** Product mix width refers to the number of different product lines the company carries more the number of product lines, wider the product mix. In short, the different kinds of product lines that firm carriers.



2) **Product mix length:** It refers to the number of items in the product mix. On adding all the items, we get the length of a product.



3) **Product mix Depth:** Product depth refers to the variants of each product in the product line. For example, in the below example shampoo, conditioner, shampoo & conditioner of LUX shows the depth of the Hair Care product line.



4) **Consistency of a product mix:** Consistency of a product mix shows the extent to which the product lines are closely related to each other in terms of their end-use, distribution requirements, price ranges, advertising media etc. In the above example, it is clear that ITC's product lines are less consistent as these perform different functions for the buyers.

➲ PRODUCT LINE

A product line is a group of related products under a single brand sold by the same company. ***According to William J Stanton***, product line is defined as “a broad group of products intended for essentially similar uses and possessing reasonably similar physical characteristic, constitute a product line.”

For example, the HUL beauty line breaks down into make-up, skin care, bath, beauty, fragrance, outdoor protection products.

<u>PRODUCT LINE DECISION</u>

Product line decision may be includes the following:-

1) **Product line expansion or stretching line**

   A firm may expand its present product by increasing the number of items or varieties within the line. For example, Colgate has introduced “Colgate Salt” to its list of toothpastes. Product line expansion includes the following:-

   a. Stretching upwards or Trading up: Where the new variety introduced in the product line is high priced, designed to meet the needs of higher market group, it is stretching upward or trading up.

   For example, Cadbury Fruits and Nuts is brought to market to satisfy consumers of upper market.

   b. Stretching downward or Trading down: The new variety added to the existing product line is low priced and is meant for lower market segment, it is stretching downward or trading down.

   For example, Hindustan Unilever Ltd. has its detergents line. Wheel, to cater to the needs of lower income group.

   c. Two-way Stretching: Where products are designed by a company to meet requirements of both higher as also lower segments, it is two way stretching.

   For example, Maruthi Udyog Ltd. has its basic model Maruthi 800 (OMNI Vag) and the most prices high end model, Maruthi Sx4.

2) **Product line contraction pricing**
It refers to the withdrawal of a product form a company's line of products, larger because it is no longer profitable. In other words, it is a process of avoiding or stopping the production of a particular product.
For example, Hindustan Unilever toilet soap 'Le Sancy' has been dropped long ago due to its unacceptability by the buyers.
3) **Modernization of product line**
The tastes and preferences of consumers keep on changing. Keeping the length of the product line constant, if the product is altered slightly to suit the requirements of consumers', it is termed as "Modernization of product line". For example, makers of cell phones keep on adding features to update the product.

➲ NEW PRODUCT DEVELOPMENT (NPD)

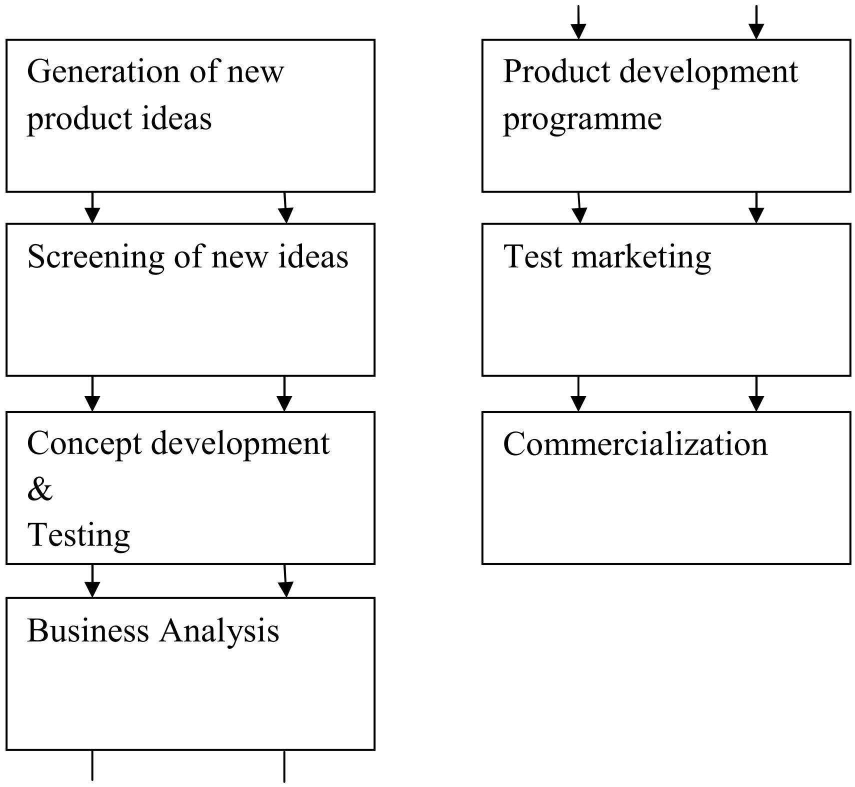
- **Product Planning**

'Product Planning' is the process of determining in advance that line of products which can secure maximum net returns from the markets targeted.
Thus, product planning is a "process of constantly reviewing and revising product portfolio of a firm with an objective of security a balanced sales growth, cash flow and risk."
In other words, product planning is a process of deciding in advance by the firm about what type of products it should develop and sell in the market so that the product serve as an instrument to achieve the marketing objective. It also monitors the product behaviours and deciding whether it should continue in the product line or any modification is required as to suit the changing consumer needs.

- **New Product Development**

Every entrepreneur knows that productivity is one of the key ingredients for successful product development. Hence, a new product development is a very vital component of product policy and product management.
According to PDMA i.e. Product Development and Management Association, new product development means, "improve the effectiveness of people engaged in developing and managing new products both manufactured goods and new services. This mission includes facilitating the generation of new information, helping to convert this information into knowledge which is in a usable format, and making this new knowledge broadly available to those who might benefit from it".

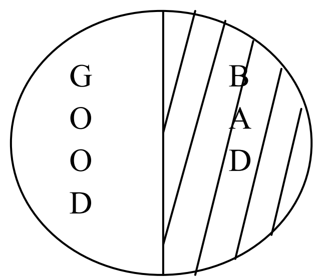
- **Stages/Process/Steps of New Product Development**



1) **Generation of New Product Ideas**
   A company has to generate many ideas in order to find one that is worth pursuing. The major sources of new product ideas include internal sources, customers, competitors, distributors and suppliers.
   - Almost 55% of all new product ideas come from internal sources i.e. from employees according to one study.
   - Almost 28% of new product ideas come from watching and listening to customers.
   - About 30% of new product ideas come from analysis of competitors' products. The company can watch competitors' ads, press releases and write-ups in the press about their activities.

2) **Idea Screening**

Marketer has to evaluate all ideas and inventions. Poor or bad ideas are dropped and through the process of elimination only, most promising and profitable ideas are picked up for further detailed investigation and research.

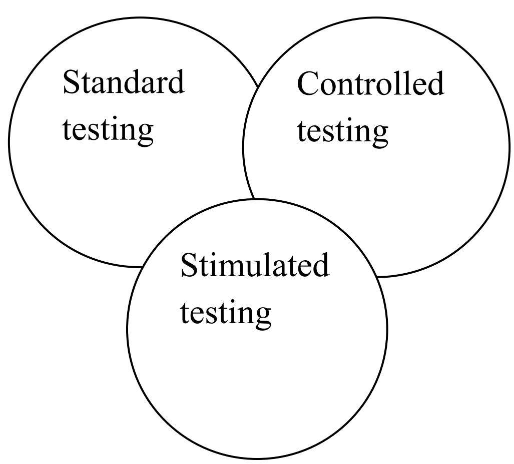


Screening should avoid two errors:-

a) Rejecting an idea that could become a very successful product.
b) Accepting an idea that later fails.

3) **Concept development and Testing**

At this stage, marketer incorporate consumer meaning into product ideas. Concept testing helps the company to choose the best among the alternative product concepts. Consumers are called upon to offer their comments on the precise written description of the product concept viz., the attributes and expected benefits.



- ***Standard Testing:*** here testing done on small number of representative cities.
- ***Controlled Testing:*** testing done on few stores that have agreed to carry new products for a fee.
- ***Stimulated Testing:*** testing done on shopping environment by providing a sample to consumers.

4) Business Analysis

Once the management has decided on the marketing strategy it can evaluate the attractiveness of the business proposal.

Business analysis involves the review of projected sales, costs and profits to find out whether they satisfy a company's objectives. If they do, the product can move to the product development stage.

5) Product development programme

This stage includes 3types, when a paper idea is duly converted into a physical product. It includes:-

- Prototype development giving visual image of the product
- Consumer testing of the model or prototype
- Branding, packaging and labeling.

Consumer testing of the model products will provide the ground for final selection of the most promising model for mass production and mass distribution.

6) Test Marketing

At this stage the product and the marketing program are introduced to more realistic market settings.

Test marketing gives the marketer an opportunity to tweak the marketing mix before going into the expense of a product launch. Cost of test marketing can be enormous and it can also allow competitors to launch a "me-too" product or even sabotage the testing so that the marketer gets skewed results.

7) Commercialization

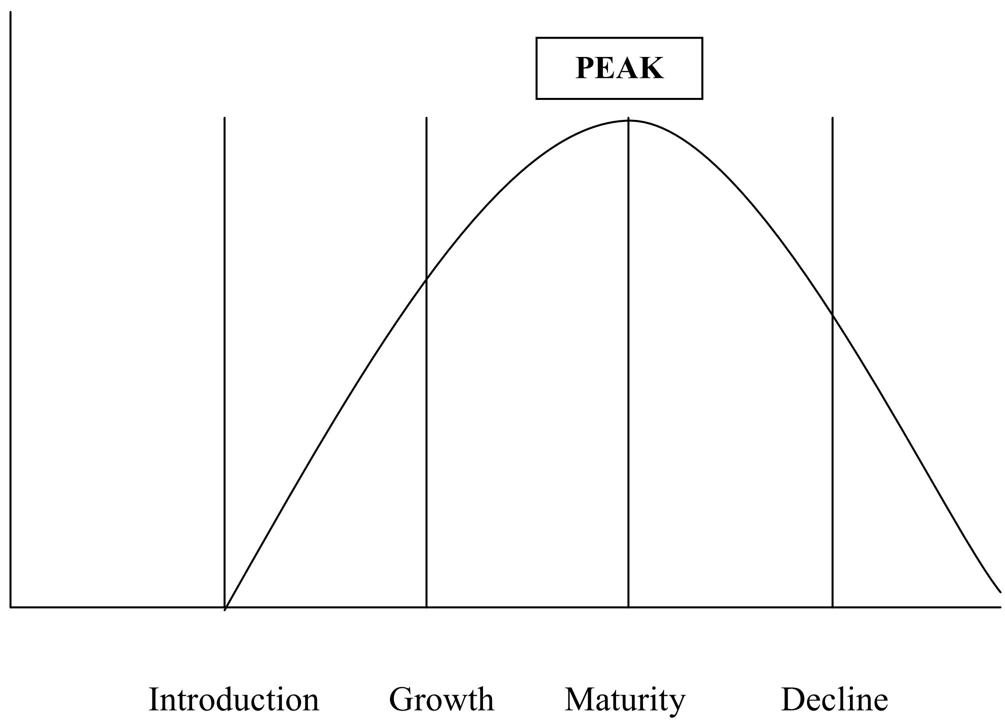
At this stage new product development has gone main stream, consumers are purchasing the goods and technical support is consistently monitoring progress. Keeping distribution pipelines loaded with products is an integral part of this process too. Refreshing advertisements during this stage will keep products name firmly supplanted into the minds of customers who induces to make purchases.

➲ PRODUCT LIFE CYCLE (PLC)

- ✓ The PLC is a phase of five cycle which helps the marketer to make a pre-plan before making entry of a new product into the market.
- ✓ The PLC provides market characterisized by more sales and bad market characterisized by low sales. In short, it deals with increasing sales volume and sales revenue.
- ✓ Once the product gets commercialized it competes with rivals, for making sales and earning profits. Product have a length of life this is called PLC.
- ✓ In other words, PLC is a process where a product introduced to a market, grows in popularity and then removed from market.

- **Marketing Strategy**

Marketing strategy is refers to the process of unified, comprehensive and integrating the marketing plans in order to maintain marketing position, company image and try to hold profitability at desired levels.



1) **Introduction Stage**

The need for the immediate profit is not a pressure. The product is promoted to create awareness and develop a market for the product. The marketing strategies is as follows:-

- Product branding and quality level is established.
- Intellectual property protection such as trademarks, copyrights and patents etc are obtained.
- Pricing may be low penetration to market share rapidly.
- Distribution is selective until consumers show acceptance of the product.
- Promotion is aimed at innovators and early adopters.
- Marketing communications seeks to build product awareness and educate potential consumers about the product.

2) **Growth Stage**

In this stage, the firm seeks to build brand preference and increase market share. The marketing strategies includes:-

- Product quality is maintained and additional features and support services may be added.
- Pricing is maintained as the firm enjoys increasing demand and with little competition.
- Distribution channels are added as demand increases and customers accept the product.
- Promotion is aimed at a broader audience.

3) **Maturity Stage**

Those products that survive earlier stages tend to spend longest in this phase. The primary objective at this point is to defend market share which maximizing profit. The marketing strategies includes:-

- Product features may be enhanced to differentiate the product from that of competitors.
- Pricing may be lower because of new competition.
- Distribution becomes more intensive.
- Promotion emphasizes product differentiation.

4) **Decline**

At this point, there is a downturn in the market. The marketing strategies includes:-

- Maintain the product, possibly rejuvenating it by adding new features and finding new uses.
- Harvest the product- reduce costs and continue to offer it, possibly to a loyal niche segment.
- Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

➲ CAUSES FOR FAILURE OF NEW PRODUCT

Generally it is witnessed that many products entering into the market, may not reach the target of sales and profits. Introduction of new substitutes, technological innovations, consumers, who are selective in their choice of products etc reduce the span of life of products. The following are the general causes for the failure.

1) **Lack of product uniqueness**

Any product that does not satisfy a unique need of consumers, fails to dislodge more established brands available. Customers must comprehend the new product's advantages. Unless sound communication strategies support the introduction of a new product, failure usually follows.

2) **Poor planning**

Companies must have a game-plan that carries them through every stage and aspect of product's life. The plan is to care for consumers. Many forces are at work, that alter consumer's needs and wants for products; life-styles change populations, age and preferences change, similarly needs of industrial buyers are affected by changing business opportunities shortage of energy and material, technological advance and so on.

3) **Poor timing**

The market success depends, to a large extent, on the ability of the company to launch the product at a time when consumer demand is at its highest. Though it may not always be desirable to be the first to enter the market, undue delay or un-opportunate time may mean that the demand for the product demonstrated during consumer testing phase might vanish by the time the product is launched in commercialization time has its strategic importance in product success.

4) **Misguided enthusiasm**
On several occasions, it so happens that there will be either an under-estimation of the strength of competitors or an over-estimation of one's own capabilities which will be shattered very soon by the actual product performance. This can happen when executives want to market a particular product because; it is tied with their personal ambitions in the company. Therefore, planners should rely on only authentic and unbiased information for reading the future which is uncertain.
5) **Product deficiencies**
Many a times, technical product deficiencies are the common cause of new product failure. Engineers and product technocrats are capable of giving the best laboratory products by over-engineering. This is a good so far as technical superiority is concerned over competitors.
6) **High cost of production**
If new product is produced at high cost it will lead to high prices and eventual to low volume than anticipated.
7) **Production problem**
If marketer could not produce sufficient quality to meet the market demand, it might be easily exploited by the competitors.

➲ BRANDING

Branding is the process of identifying the name of a producer with his product by affixing to the product or its container the trade name or brand represented by words or designs. Brand includes:-

Brand Name: It is the part of a brand which can be vocalized. It consists of words, letters and or numbers. For example: 555 Maruthi etc.

Brand Mark: It is that part of a brand which can recognized but is not utterable, such as a symbol, design or distinctive colouring or lettering. For example: SBI's Key etc.

According to Prof. Myers & **Batra**, "Branding is the process of transforming the product, adding value for enhanced consumer satisfaction."

- **Features of Branding**

1) **Simple and easy to pronounce**
   Brand name should be understood and pronounced by all kinds of customers. Brand name is easily pronounceable by any person speaking any language.
2) **Easy to recognize and remember**
   Brand name or symbol should be easy to remember and recognize. Short and simple brand name can be easily recognized when seen and remember for long.
3) **New and attractive**
   The selected brand name should be new and unique and has not been used by any other companies. It should be attractive so that a large number of customers are attracted. Such brand names should be also memorable.
4) **Legally Safe**
   Before selecting and using any brand name, it should be confirmed whether or not any other companies have already used the selected brand name. If the selected brand name has been already registered and is being used by any other firm or company, such brand name cannot get registered in the company's register's office. As a result it cannot be legally safe.
5) **Should reflect the nature of product**
   A good brand name should be able to reflect the nature of product. Such brand name can make the consumers remember the use of the products. "Quick","Nescafe" etc.
6) **Suggestive**
   Brand name should be suggestive. It should be such that when heard the name of the product the consumers can understand its utility.

- **Classification of Brands**

1) **Manufacturer's Brand**
   A brand which is owned by a manufacturer and/or registered as a trademark under the manufacturer's name is referred to as manufacturer's brand.
   For example, Colgate is the brand name for tooth paste given by Palmolive India Ltd.
2) **Distributor's Brand**
   A brand owned by a distributor is referred to as distributor's or private brand. It is private because the manufacturer is not identified. The manufacturer simply manufacturers and brands it as per specifications of the distributor.
   For example, 'Johnson' is the brand name adopted for home appliances by its distributor Blumac electricals.
3) **Individual Brand**
   Where each item or product in a product line carries an independent brand name, it is called individual brand. For example, HUL are given different names Rin, Surf etc.
4) **Family Brand**
   If all the products manufactured by a company are sold under a single brand name, it is called family branding. For example, Tata Group, Bajaj etc. This brand is also known as "Blanked Brand".
5) **National Brand**
   In case the same brand name is used throughout the country to market the products, it is a national brand. For example, Parle Products Pvt. Ltd. ; Cadbury's India Ltd etc.
6) **Regional Brand**
   Where a brand name is used and the product is promoted in a particular geographical area, it is regional brand. For example, Nandini, the brand name for milk supplied by Karnataka Milk Federation is popular only in the state Karnataka.

➲ PACKAGING

A package is a wrapper or container in which a product is enclosed, encased or sealed. ***According to Philip Kotler***, packaging is the activity of designing and producing the container or wrapper for a product.

In short, packaging is the art of designing and producing the package for a product.

- **Kinds/Strategies of Packaging**

1) **Family Packaging**

   It is a kind of packaging strategy in which packages of the entire product-line of a company closely resemble one another or alternatively, major features of the packages in respect of the entire product-line closely resemble are another.

2) **Re-Use Packaging**

   In this strategy a company's offer products in such a package which may be re-used for other purposes. For example: Nescafe coffee packaged in jar.

3) **Multiple Packaging**

   In this packaging a number of products to be used by one consumer are placed in a single package. For example: Zodiac people offer a shirt, necktie, and kerchief in one package box.

4) **Ecological Packaging**

   In order to preserve the physical environment, a company may formulate a compatible packaging strategy. For example: Cloth bags instead of plastic bags.

UNIT3- PRICING

`MEANING AND DEFINITION OF PRICING

Pricing is one of the four elements of the marketing mix, along with product, place and promotion. Pricing strategy is important for companies who wish to achieve success by finding the price point where they can maximize sales and profits.

- **PRICE**

✓ Price may be defined as the value of product attributes expressed in monetary terms which a consumer pays.

✓ ***According to W J Stanton***, "Price is the amount of money which is needed to acquire in exchange of some combined assortment of a product and its accompanying services."

✓ ***According to Adam Smith***, "the price of everything, what everything really costs, in the toil and trouble of acquiring it."

✓ By analyzing the above definition we can define the term price is the money value of a product or service i.e.
Money (price) = Bundle of expectations or satisfaction.

- **PRICING**

✓ Pricing is the process of determining the value of a product or service in terms of money before it is offered to the market for sale.

✓ ***According to Converse, Huegey and Mitchell***, "Decision concerning price to be followed for a period of time may be called price decision."

✓ ***According to W J Stanton,*** "pricing is the functions of determining the products value in monetary terms."

✓ In other words pricing refers to managerial approach or task that involves establishing pricing objectives, identifying the factors that govern price, ascertaining its importance, determining value and implementing it.

➲ OBJECTIVES OF PRICING

The following are the objectives of pricing:-

1) **Achieving a Target ROI**

Every concern will have the objective to achieve a certain rate of return on investments and frame the pricing policy in order to achieve that rate. Target may be:

- Fixed percentage of sales
- Return on investment
- A fixed rupee amount.

For example, company decides to earn 20% return on total investment of 3crore rupees. It must set price of product in a way that it can earn 60lakh rupees.

2) **Control Cash Flow**

A principal pricing objective is to return cash as much as possible within a given period. Investment in research and development, market development, promotion etc should pay back within a specified period. Capital expenditure on any project must be recovered within a certain period. Pay back or cash-flow objectives fits in easily with other corporate objectives.

3) **Price Stability**

Company with stable price is ranked high in the market. Company formulates pricing policies and strategies to eliminate seasonal and cyclical fluctuations. Stability in price has a good impression on the buyers. Frequent changes in pricing affect adversely the prestige of company.

4) **Achieving market share**

Sometimes, price and pricing are taken as the tool to increase its market share. When company assumes that its market share is below than expected, it can raise it by appropriate pricing; pricing is aimed at improving market share.

5) **Prevention from competition**

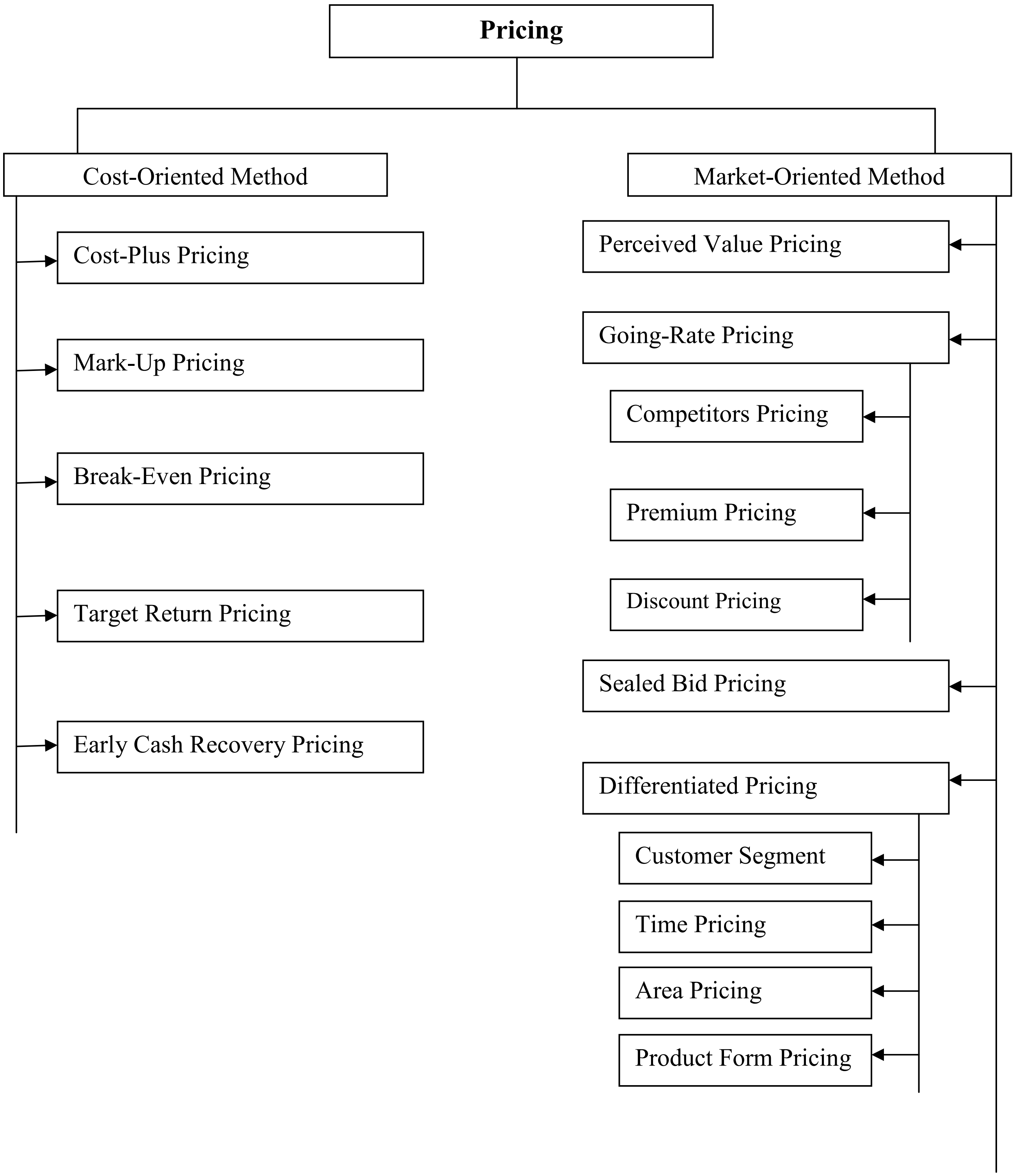
Pricing can be used as one of the effective means to fight against the competition and business rivalries. Lesser prices are charged by some firms to keep their competitors out of the market. But a firm cannot afford to charge fewer prices over a long period of time.

6) **Win confidence of customers**
The phase 'prevention is better than cure' is equally applicable here. If competitors are kept away, no need to fight with them. To achieve the objective, a company keeps its price as low as possible to minimize profit attractiveness of products. In some cases, a company reacts offensively to prevent entry of competitors by selling product even at a loss.

➲ IMPORTANCE OF PRICING

1) **Importance of pricing in the economy**
Pricing is taken as a major function in open market system or free industrial system. Price of a product or services affects wages, cost, interest and profit. So, price of any product affects the price paid for the factors of production such as labour, land, capital and entrepreneurship. In other words, price is very important in determining demand and supply of goods or services. So, pricing plays a decisive role in smooth functioning of market-oriented economy.
2) **Importance of pricing in the Business Firm**
The price of any product becomes the major determinant of its market demand. Price of the product of any firm influences competitive situation and market share. Similarly, the price directly contributes to the income and net profit of a firm. On the whole among the marketing activities of a firm, pricing is such a sensitive aspect to which the consumers, competitive firms and government are directly concerned.
3) **Importance of pricing to customers**
Price is important in selecting goods according to the need and financial capacity of consumers. The price makes the customers confident about the quality of the goods they buy. Generally, high price makes the customers perceive good quality of a product. When the price of goods falls down the customers are more attracted towards the goods, and when their income level declines, they like to buy low priced goods. so, price of goods affects customers benefits.

➲ METHODS OF PRICING



A. COST-ORIENTED METHODS

Cost provides the base for a possible price range, some firms may consider cost-oriented methods to fix the price. It includes:-

1) **Cost-oriented pricing**

   Cost-plus pricing involves adding a certain percentage to cost in order to fix the price. For instance, if the cost of a product is rs.200 per unit and the marketer expects 10% profit on costs, then the selling price will be rs.220. The difference between the selling price and the cost is the profit.

2) **Mark-up pricing**

   Mark-up pricing is a variation of cost pricing. In this case, mark-ups are calculated as a percentage of the selling price and not as a percentage of the cost price. Firms that use cost-oriented methods use mark-up pricing. The following used to determine mark-up pricing:-

   Mark-up pricing= Average unit cost/selling price.

3) **Break-even pricing**

   In this case, the firm determines the level of sales needed to cover all the relevant fixed and variable costs. The break-even price is the price at which the sales revenue is equal to the cost of goods sold. In other words, there is neither profit nor loss. The following formula is used to calculate the break-even point:-

   Contribution= Selling Price- Variable cost per unit

   BEP= Fixed cost/Contribution * Sales

4) **Target return pricing**

   In this case, the firm sets prices in order to achieve a particular level of return on investment (ROI). The target return price can be calculated by the following formula:-

   Target return price= Total costs+ (Desired % ROI investment)/Total sales in units

   However, this method helps to ensure that prices exceed all costs and therefore contribute to profit.

5) **Early cash recovery pricing**

   Some firms may fix a price to realize early recovery of investment involved, when market forecast suggest that the life of the market is likely to be short, such as in the case of fashion-related products or technology-sensitive products. This method is used to maximize short-revenues and reduce the firm's medium-term risk.

B. MARKET-ORIENTED METHODS

1) **Perceived value pricing**
A good number of firms fix the price of their goods and services on the basis of customers' perceived value. They consider customers' perceived value as the primary factor for fixing prices and the firm's costs as the secondary. The customers' perception can be influenced by several factors such as advertising, sales on techniques, effective sales force and after sale-service staff.

2) **Going-rate pricing**
The benchmark for setting prices is the price set by major competitors. It includes:-
   a. **Competitors' parity method:** A firm may set the same price as that of the major competitor.
   b. **Premium pricing:** A firm may charge a little higher if its products have some additional special features as compared to major competitors.
   c. **Discount pricing:** A firm may charge a little lower price if its products lack certain features as compared to major competitors.

3) **Sealed-bid pricing**
This pricing is adopted in the case of large orders or contracts, especially those of industrial buyers or government departments. The firms submit sealed-bids for jobs in response to an advertisement.

4) **Differentiated pricing**
Firms may charge different prices for the same product or service. It includes the following:-
   a. **Customer segment pricing:** Here different customer groups are charged different prices for the same product or service depending on the size of the order, payment terms, and so on.
   b. **Time pricing:** Here different prices are charged for the same product or service at different timings or season. It includes off-peak pricing, where low prices are charged during low-demand tunings or season.
   c. **Area pricing:** Here different prices are charged for the same product in different market areas. For instance, a firm may charge a lower price in a new market to attract customers.
   d. **Product form pricing**
   Here different versions of the product are priced differently but not proportionately to their respective costs. For instance, soft drinks of 200, 300, 500 ml etc are priced according to this strategy.

➲ PRICING POLICIES/METHODS/STRATEGY/TYPES

A pricing strategy/policy in which the same price is offered to every customer who purchases the product under the same conditions.

In other words, it is the policy by which a company determines the wholesale and retail prices for its products or services. It includes the following types:-

1) **Price Skimming/High price policy**
   This policy is applied when a new product is introduced. The product is brought to market at a high initial price. This strategy is followed in case of products which have a very short life and quickly become obsolete, such as electronic gadgets, fashionable products, book and magazines covering-current issue etc.
2) **Penetration pricing/Low price policy**
   In this policy the introductory price of a product is low which may subsequently increase. The idea behind entering the market with a low selling price is to attract customers towards the market and increase the market coverage, which results in higher volume of production and consequently reduces cost.
3) **Premium pricing**
   Premium pricing strategy establishes a price higher than the competitors. Premium pricing can be a good strategy for companies entering the market with a new market and hoping to maximize revenue during the early stages of the product life cycle.
4) **Psychological pricing**
   This strategy is commonly used by marketers in the prices they establish for their products. For instance, rs.99 is psychologically "less" in the minds of consumers than rs.100. It's a minor distinction that can make a big difference.
5) **Geographic pricing**
   A producer may cover a wide area for the distribution of his product. The distance and transportation cost involved in moving the products from the place of production to different regions for marketing, plays a pivotal role in fixing the selling price.
6) **Single pricing**
   If a single price is charged without discriminating between regions and customers, it is single-price policy. Example, Hindustan Unilever Ltd, Wipro consumer products sell their products at a single price throughout the country.

7) **Location pricing**
The prices charged will depend upon the location of supply of product or service. Railways charge different fares for II class, A/C sleeper coaches. In a hospital charges are different for general ward, special ward etc.

8) **Variable pricing**
Where the selling price charged is varied from customer to customer depending on his bargaining capability, it is variable pricing. For example, vegetable and fruits vendors, granite merchants etc.

9) **Bundle pricing**
A group of products sold as a package is called a product bundle or bundle pricing. The price of the bundle includes the price of all individual products constituting the bundle. For example, make-up kit, shaving-kit etc.

10) **Time pricing**
Where the price charged is related to time, it is time pricing. For example, Auto charges one and a half time the regular fare between 9pm and 6am.

11) **Product-line pricing**
A product line has different brands or models of a product. Where the prices of each model or brand is different from the other. For example, the product line 'Tea' of HUL has Brooke Bond, Red Label, 3Roses, Taaza where each variety carries a different price.

12) **Market segment pricing**
In this strategy the customers will be divided into different segments based on common feature and a single price is charged to customers belonging to a segment.
For example, Railways divide the customers into 3 categories as children, adults, senior citizen and they charged differently.

➲ FACTORS INFLUENCING PRICING POLICY

Following are the factors influencing pricing policy:-

1) **Cost**

   Cost of a product play a vital role in pricing policy of an organization. By understanding the costs, marketers can judge profitability in advance. They can move resources to the highest profit opportunities and make best use of available scarce resources. By comparing costs with those of competitors, it is possible to assess production efficiency and estimate the relative profits each competitor can expect at various prices.

2) **Objectives**

   Pricing objectives of the company will also play a crucial role in pricing policy. Price is based on the objectives set by the company. Objectives of company can be classified into (1) maintaining ROI, (2) stability in prices, (3) maximizing profits, (4) meeting competition. Company may consider any one or more of the objectives listed above before the price is fixed.

3) **Demand**

   Demand is usually depicted by demand curve. Marketers use the curve to estimate changes in total demand for a product based on differing prices. Elasticity is measured and price is decided based on the type of elasticity.

4) **Competition**

   Determination of price is influenced by present and potential competition. The competitors' price helps the firm in setting its price. The company should carefully study the competitors' prices and the consumers' reactions towards each competitor's offer.

5) **Distribution channel**

   Goods are made available to the consumers through middlemen. Each one of them has to be compensated for the services rendered. This compensation should be included in the ultimate price the consumer pays.

6) **Government**

   Government interference such as control of prices, levying of taxes etc will also influence pricing policy of an organization. If government increases tax, the ultimate consumer will have to may more for the product due to the increased tax component added in the price.

7) **Economic Conditions**

Economic condition prevailing in the country influences price fixation. Usually prices are raised during inflation because of the increase in costs. During periods of depression, prices are reduced as survival becomes a problem.

8) **Ethical considerations**

Sometimes company may sell certain products not for making profits but as a public welfare measure. For example, company may sell certain life-saving drugs or vaccines at a price which covers only the cost of production.

9) **Types of buyers**

Price fixation is largely dependent on the types of consumers. Different buyers may have different motives and values. Quality, safety, status, symbol and beauty are the four different considerations a buyer can observe. Thus, pricing decision is based on perceived value of customers.

10) **Product Differentiation**

Product differentiation is one of the marketing strategies to reach many customers. Many products can be differentiated in form the size. Shape, colour, coating, physical structure. Based on these factors price also varies.

UNIT4- CHANNELS OF DISTRIBUTION

➲ MEANING AND DEFINTION

- ✓ Channel of distribution is the pathway or course or route through which the product delivered or spread out.
- ✓ ***According to American Marketing Association*** defines distribution channel as, "structure of intra-company organization units and extra-company agents and dealers, wholesale and retail, through which a commodity, product or service is marketed."
- ✓ ***According to Philip Kotler***, "distribution channel is the set of firms and individuals that take title, or assist in transferring title, to the particular good or service as it moves from the producer to the consumer."
- ✓ By analyzing the above definition we can refer the distribution channel as a independent organization involved in the process of making a product or service available for use or consumption."

➲ MARKETING CHANNEL FUNCTIONS

Distributors are concerned with number of key functions and are:-

1) **Research:** It is concerned with gathering of information necessary for planning and facilitating exchange.
2) **Promotion:** It is concerned with development and dissemination of persuasive communications about the offer.
3) **Contact:** It is concerned with searching out and communicating with the prospective buyers.
4) **Matching:** It is concerned with shaping and fitting the offer to the buyer's requirements like grading, assembling and packaging.
5) **Negotiation:** Here the attempt is to reach final agreement on price and other terms of the offer so that transfer of ownership or possession can be effected.
6) **Physical Distribution:** It is concerned with transporting and storing of the goods.
7) **Financing:** It is concerned with acquisition and dispersal of funds to cover the costs of the channel work.
8) **Risk-taking:** It is concerned with making assumption of risks inconnection with carrying out the channel work.

➲ CLASSIFICATION OF DISTRIBUTION INETERMEIARIES/ CHANNELS (5marks)

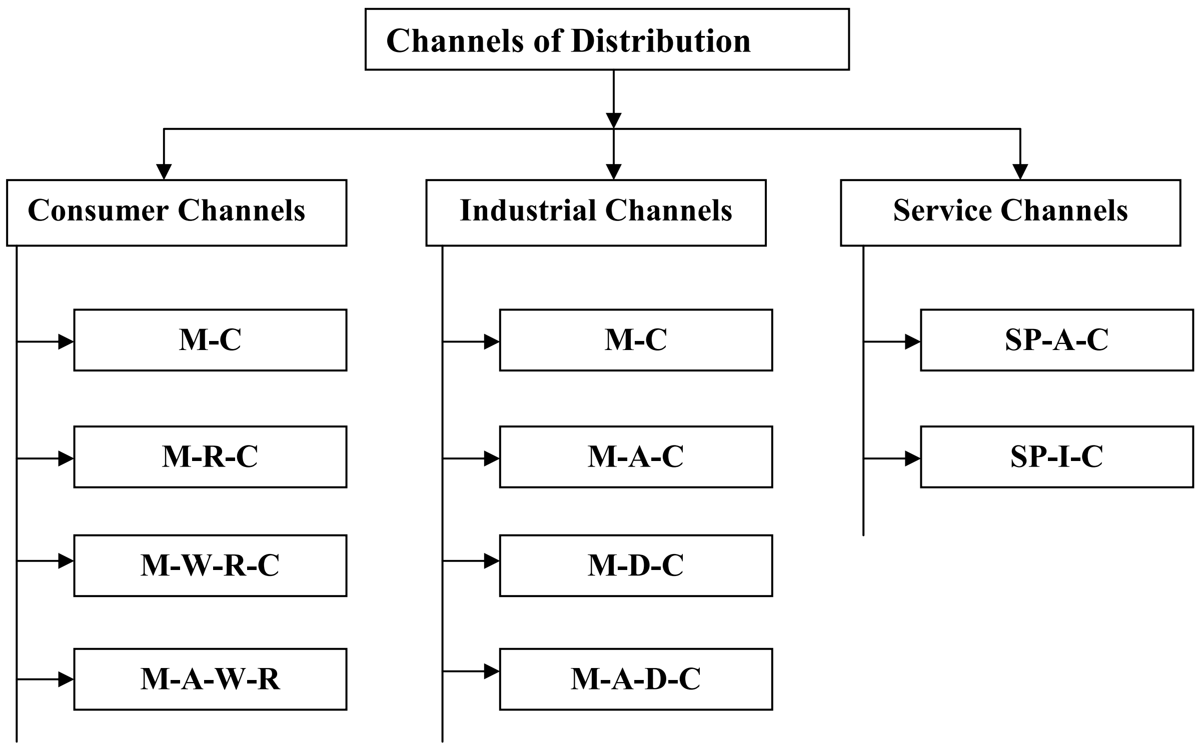
1) **Zero-level channel**
   It is also known as direct channel. It consists of manufacturer selling directly to consumers. The major direct channel selling are door-to-door selling, mail order selling and manufacturer-owned stores.
   Manufacturer → Consumer

2) **One-level channel**
   It contains only one selling intermediary in the form of retailer. In this channel, manufacturer depends on retailer for selling his product. In India, Bata India Ltd. has its own retail shops', to sell its products.
   Manufacturer → Retailer → Consumer

3) **Two-level channel**
   It contains two intermediaries in the form of wholesalers and retailers through whom the manufacturer channelizes his products to consumers. In India many companies opt for this channel as it is very convenient in the movement of goods.
   Manufacturer → Wholesaler → Retailer → Consumer

4) **Three-level channel**
   It contains three intermediaries, the jobber is the new entry here. The task of jobber is to intervenes between the wholesalers and retailers, that is jobber buys from wholesalers and sells to the retailers of small scale who are not serviced by the large wholesalers. The jobber is known as "***Semi-Wholesaler***."
   Manufacturer → Wholesaler → Jobber → Retailer → Consumer

➲ TYPES/CLASSIFICATION OF DISTRIBUTION CHANNEL



A. CONSUMER CHANNELS

Manufacturers may reach out to consumers either directly i.e. without using distribution channels, or by using one or more distribution channel members.

1) Manufacturer to consumer

The company contacts customers directly through salespersons, mail, telephone, or internet and makes sales. The products are sent directly to customers by the manufacturers.

For example: Avon cosmetics, Tupperware, Aqua guard and Amazon.com.

2) Manufacturer to retailer to consumer

Retailers have grown in size. Growth in retailer size means that it has become economic for manufacturers to supply directly to retailers rather than through wholesalers.

For example: Supermarket and corporate retailers like Wal-Mart.

3) **Manufacturer to wholesaler to retailer to consumer**
For small retailers with limited order quantities the use of wholesalers makes economic sense. Wholesalers buy in bulk from producers and sell smaller quantities to numerous retailers.

4) **Manufacturer to agent to wholesaler to retailer to consumers**
A company uses this channel when it enters foreign markets. It does not have enough sales to warrant the setting up of a sales and distribution infrastructure, and therefore, it delegates the task of selling its product to an agent who does not take title to the goods. The agent contacts wholesalers in the foreign market and receives commission on sales.

B. INDUSTRIAL CHANNELS

Industrial channels are usually shorter than consumer channels. It includes the following:-

1) **Manufacturer to industrial customer**
This is a common channel for expensive industrial products like heavy equipments and machines. There needs to be close relationship between the manufacturer and the customer, because the product affects the operations of the buyer. The seller has to participate in many activities like installation, commissioning, quality control and maintenance jointly with the buyer. The seller is responsible for many aspects of the operations of the product long after the product is sold.

2) **Manufacturer to agent to industrial consumer**
A company that sells industrial products can employ the services of an agent who may sell a range of products from several producers on a commission basis. Such an arrangement spreads selling costs and is beneficial to companies who do not have the resources to set up their own sales and distribution operation.

3) **Manufacturer to distributor to industrial customer**
For less expensive, more frequently purchased products, distributors are used. The company has both internal and field sales staff. Internal staff deals with customer and distributor generated enquiries and order placing, order follow-up and checking inventory levels. Outside sales staff is proactive.

4) **Manufacturer to agent to distributor to industrial customers**
The manufacturer employs an agent rather than a dedicated sales force to serve distributors mainly because it is less expensive to do so. The agent may sell the goods of several suppliers to an industrial distributor, who further sells it to the business user.

C. SERVICE CHANNELS

Distribution channel for services are usually short, and are either direct or use an agent.

1) Service provider to consumer or industrial customer

Agents are used when the service provider is geographically away from customers and when it is economical for the provider to establish its own local sales team.

2) Service provider via internet to consumer or industrial customer

Increasingly, services like music, software solutions and financial information are being distributed via internet. It is a very useful channel for information products. ***For example:*** e-tickets.

➲ FACTORS GOVERNING OR CRITERIA FOR SELECTING A CHANNEL OF DISTRIBUTION

Some of the factors to consider while selecting a channel of distribution are:-

1) The nature of the product

These factors include physical characteristics of a product and their impact on the selection of a particular channel of distribution. It includes:-

a) Perishability

Products which are perishable in nature are distributed by employing a shorter channel of distribution so that goods could be delivered to the consumers without delay. For example, fruits, vegetables, milk products etc.

b) Size and weight of product

Bulky and heavy products like coal and food grains etc are directly distributed to the users involve heavy transportation costs. In order to minimize these costs a short and direct distribution channel is suitable.

c) Unit value of a product

Products with lesser unit value and high turnover are distributed by employing longer channels of distribution. Household products like utensils, cloth, cosmetics etc take longer time in reaching the customers. On the other hand, products like jewellery having high product value are directly sold to the consumers by the jewellers.

d) ***Product lines***

A manufacturer producing different products in the same line sells directly or through retailers and lesser time is consumed in their distribution. On the other hand, a manufacturer dealing only in one item appoints sole selling agents, wholesalers and retailers for selling the product. Fr example, in case of "Vanaspathi Ghee" longer distribution channel is undertaken.

e) ***Technical nature of products***

Industrial products which are highly technical in nature are usually distributed directly to the industrial users and take lesser time and adopt shorter channel of distribution. In this case after sale service and technical advice is provided by the manufacturer to the consumers.

2) **The nature of the market**

This is another factor influencing the choice of a proper channel of distribution.

a) ***Number of prospective buyers***

If the number of buyers is likely to be more, the distribution channel will be long. On the other hand, if the number of consumers is expected to be less, the manufacturer can effectively sell directly to the consumers by appointing salesman.

b) ***Size of the order***

If the size of the order placed by the customers is big, direct selling can be undertaken by the manufacturer as in case of industrial goods. But where the size of the order is small, middlemen are appointed to distribute the products.

c) ***Geographic concentration of market***

Where the customers are concentrated at one particular place or market, distribution channel will be short and the manufacturer can directly supply the goods in that area by opening his own shops or sales depot.

d) ***Buying habits of customers***

This includes tastes, preferences, likes and dislikes of customers. Customers also expect certain services like credit and personal attention and after sales service etc. All these factors greatly influence the choice of distribution channel.

3) **The nature of middlemen**
Marketing intermediaries are vital components in the distribution of goods. They greatly influence the marketing of goods.
   a) ***Cost of distribution***
   Cost of distribution through middlemen is one of the main considerations to be taken into account by the manufacturer. Higher cost of distribution will result in the increased cost of product. The manufacturer should select the most economical distribution channel.
   b) ***Availability of desired middlemen***
   Sometimes desired middlemen may not be available for the distribution of goods. They may be busy in dealing with the competitive products. Under such circumstances the manufacturer has to make his own arrangements by opening his branches or sales depots to distribute the goods to the consumers.
   c) ***Unsuitable marketing policies for middlemen***
   The marketing policies of the manufacturer may not be welcomed by the middlemen for the terms and conditions may not favour the middlemen. For example, some wholesalers or retailers would like to act as sole selling agents for the product in a particular area or region.
   d) ***Financial Soundness***
   In appointing middleman, the manufacturer must take into consideration the financial stability and reputation of the middleman. A financially sound middleman can provide credit facilities to customers and make prompt payment to the manufacturer.
4) **The nature and size of the manufacturing unit**
The nature and size of manufacturing unit has a great impact on the selection of a distribution channel.
   a) ***Manufacturer reputation***
   Reputed and financially sound manufacturing concerns can easily engage middlemen as compared to lesser reputed and newly established units. Generally a financially weaker unit cannot operate without the help of middlemen.
   b) ***Experience of the undertaking***
   Industrial undertakings having ample marketing ability and experience can effectively manage their distribution activities themselves. They have lesser dependence on undertaking intermediaries.

c) ***Services provided by the manufacturers***

The selection of marketing intermediaries is also influenced by various services provided by the manufacturer. These services include extensive advertisement for the product, after sales services and facilities of credit. The manufacturers providing these services can easily avail the services of reputed retailers and wholesalers.

5) **Government Regulations and policies**

Government policies and regulations also influence the choice of distribution channels. The government may impose certain restrictions on the wholesale trade of a particular product aid to takeover the distribution of certain products. All these restrictions have a direct impact in selecting the channel of distribution.

6) **Competition**

The nature and extent of competition prevalent in a industry is another deterimental consideration in selecting a distribution channel. Different manufactures producing similar products may employ the same channels of distribution.

UNIT5- PROMOTION

➲ MEANING AND DEFINITION OF PROMOTION

- ✓ Promotion is the process of marketing communication involving information, persuasion and influence.
- ✓ In other words, promotion is a form of “telling” and “selling”. It is a way of creating or influencing the sense of existed product through various means like advertising, sales promotion and personal selling.
- ✓ ***According to Mc. Carthy***, “promotion is concerned with any method that communicates to the target market about the right product to be sold in the right place at the right price, promotion encompasses sales promotion, advertising and personal selling.”
- ✓ ***According to Philip Kotler***, “promotion compasses all the tools in the marketing mix, whose major role is persuasive communication.”

➲ PROMOTION MIX/FORMS/METHODS OF PROMOTION

The marketing mix consists of the following:-

1) **Personal selling**
   It is the most important, the most effective and the most costly form of promotion. It is the best means of oral or face-to-face or direct communication. Personal presentation has the prospect of effecting sales.
2) **Advertising**
   It is a means of mass communication. Advertising is also an important form of promotion and it costs less than personal selling.
3) **Sales promotion**
   The marketing activities other than advertising, publicity and personal selling are known as sales promotion. It serves as bridge between personal selling and advertising.
4) **Publicity**
   It is a non-personal stimulation of demand as advertising. It stimulates demand for a product or service or a business unit by making publicity in radio, television etc.
5) **Public relation**
   It is a form of promotion. It creates, develops and maintains a bright image of an organization on the public.

6) **Point of purchase display**
   Promotion at the point of purchase is more effective. Proper display of products is done by manufacturers or distributors.
7) **Direct mail**
   Direct mail is sent to the selective customers. It will attract the customers to buy the goods.
8) **Other forms of promotion**
   Sampling, coupons, discounts, special premiums etc all this will play key role in overall marketing strategies of company.

➲ IMPORTANCE/ROLE OF PROMOTION

Company promotions play many roles in marketing, designed to produce certain desired effects.

1) **Increase Brand Awareness**
   Promotion such as television, radio and magazine advertising increase brand awareness. More people tend to learn about a particular company or its brands if they frequently see or hear about them.
2) **Provide Information**
   Companies also use promotions to provide information. Marketers may use press releases, displays, pamphlets, in-store videos, demonstrations etc to convey information.
3) **Increase customer traffic**
   Grocery stores, beauty salons and movie theaters use promotions such as frequency programs to increase customer traffic. Frequency card promotions are designed primarily to attract traffic among current customers. New customers also may be attracted to the promotion if they hear about it.
4) **More employment**
   Promotional activity helps to increase more employment opportunities to the people who are unemployed, as the promotional activities cannot be performed without the help of an effective sales force and the specialists in various fields.
5) **Effective sales support**
   Promotion helps in the sales support of the product. Sales promotion makes the salesman's effort more productive. It provides good support in selling the different types of goods. Sales of different types of goods in the market are very necessary to increase the market economy.

6) **Increase speed of product acceptance**
Most of the sales promotion devices such as contests, premium coupons, etc can be used faster than other promotion methods such as advertising. Increase in the speed of product acceptance is very important in the competitive market. So, it is necessary to increase the speed of product.

➲ SALES PROMOTION

- ✓ Sales promotion is generally defined as those marketing activities that provide extra values or incentives to the sales force, the distributors, or the ultimate consumer and can stimulate immediate sales.
- ✓ ***According to A.H.R Delen***, sales promotion means "any steps that are taken for the purpose of obtaining or increasing sales. Often, this term refers specially to selling efforts that are designed to supplement personal selling and advertising and by co-ordination, help them to become more effective."
- ✓ In other words, sales promotion refers to those specialized activities other than personal selling and advertising that are taken by a firm for promoting its sales.

- **TOOLS OF SALES PROMOTION**

Sales promotion is generally broken into two major categories i.e. consumer oriented and trade oriented activities.

Sales Promotion

Consumer-oriented

1. Free Samples
2. Coupons
3. Exchange Scheme
4. Discounts
5. Premium offers
6. Personality promotions
7. Installment sales

Trade-oriented

1. Cash bonuses
2. Stock return
3. Credit terms
4. Dealer conferences
5. Dealer trophies

A. Consumer-oriented

The consumer-oriented promotion tools are aimed at increasing the sales to existing consumers, and to attract new customers to the firms. It is also called as *pull strategy*. It includes the following:-

1) **Free samples**
   Small units of free samples are delivered door to door, sent through direct mail, attached to another product, or given along with the purchase of some other product.
2) **Coupons**
   This involves offering price reduction or saving to customers on the purchase of a specific product. The coupons may be mailed or enclosed along with other products, or inserted in a magazine or newspaper advertisement.
3) **Exchange scheme**
   In this case, the customer exchanges the old product for a new one. This sales promotion tool is used by several companies for consumer durables.
4) **Discounts**
   It refers to reduction in price on a particular item during a particular period. It is common during festival season or during off-season period.
5) **Premium offers**
   These can be extra quantities of the same product at the regular price. For instance, Colgate offered 125g in a tube for the price of 100g.
6) **Personality promotions**
   This type of promotion is used to attract the greater number of customers in a store and to promote sale of a particular item. For instance, a famous sports personality may be hired to provide autographs to customers visiting a sports shop.
7) **Installment sales**
   In this case, consumers initially pay smaller amount of the price and the balance amount in monthly installments over a period of time. For example, consumer durables such as refrigerators and cars are sold on installment basis.

B. Trade-oriented

Trade-oriented sales promotion programmes are directed at the dealer network of the company to motivate them to sell more of the company's brand than other brands. It is also known as *push strategy*.

1) **Cash bonuses**
   It can be in the form of one extra case for every five cases ordered, cash discounts or straight cash payments to encourage volume sales, product display, or in support of a price reduction to customers.
2) **Stock return**
   Some firms take back partly or wholly the unsold stocks lying with the retailers, and distribute it to other dealers, where there is a demand for such stocks.
3) **Credit terms**
   Special credit terms may provide to encourage bulk orders from retailers or dealers.
4) **Dealer conferences**
   A firm may organize dealer conferences and thereby dealers can also provide valuable suggestions to the company at such conferences.
5) **Dealer trophies**
   Some firms may institute a special trophy to the highest-performing dealer in a particular period of time. Along with the trophy, the dealer may get a special gift such as a sponsored tour within or outside the country.

➲ ADVERTISING

- ✓ The word Advertising derived from *French word "advertir"* which means *"to notify or to inform"*.
- ✓ Advertising means informing the public of the existence of a particular product or service.
- ✓ In other words, advertising defined as "non personal forms of presentation and promotion of ideas, goods or services by an identified sponsor through paid sponsorship."
- ✓ In short, advertising is an attempt to make a particular product or service known to the public and to create demand for the same.

- **OBJECTIVES OF ADVERTISING**

1) **Getting Attention**
   Using highly readable print, color, diagrams and pictures can also attract the attention of users. Using sounds and jingles will attract attention of customers/users in radio and television ads.
2) **Building sales and profits**
   Advertising is designed to increase sales and build profits gradually. People will try the products and they become repeat users and also they tell their family and friends, which is additional advertising for a company. Many companies budget their advertising by allocating a certain percentage of sales toward it.
3) **Switching back**
   This objective is for the companies who have switched to their previous customers back. They attract the customers back like discount sale, new advertise, some reworking done on packaging etc.
4) **Brand switch**
   The purpose of advertisement is to attract the customers of competitors. Here the advertisers try to convince the customers to switch from the existing brand.
5) **Building brand awareness**
   Companies advertise to build brand awareness, which is when people know a particular brand. Brand awareness is usually calculated as a percentage.
   For example, if 1000 people out of 10000 in a market can identify concerned brand then the brand awareness is 10%.
6) **Prompting immediate action**
   Different forms of advertising may also prompt people to act immediately. Including a coupon, deadlines, free trail etc will attract buyers to make purchase in a short period.

- **ADVANTAGES/MERITS OR ARGUMENTS IN FAVOUR OF ADVERTISING**

1) **Expansion of market**
   It enables the manufacturer to expand his market. It helps in exploring new markets for the product and retaining the existing markets. It plays a sheet anchor role in widening the marketing for the manufacturer's products even by convey the customers living at the remote areas.
2) **Increased sales**
   Advertisement facilitates mass production to goods and increase the volume of sales. In other words, sales can be increased with additional expenditure on advertising with every increase in sale, selling expenses will decrease.
3) **Fights competition**
   Advertising is greatly helpful in meeting the forces of competition prevalent in the market. Continuous advertising is very essential in order to save the product from the clutches of the competitors.
4) **Educates the consumers**
   Advertising is educational and dynamic in nature. It familiarizes the customers with the new products and their diverse uses and also educates them about the new uses of existing products.
5) **Elimination of middlemen**
   It aims at establishing a direct link between the manufacturer and the consumer, thereby eliminating the marketing intermediaries. This increases the profits of the manufacturer and the consumer gets the products at lower prices.
6) **Better quality products**
   Different goods are advertised under different brands names. A branded product assures a standard quality to the consumers. The manufacturer provides quality goods to the consumers and tries to win their confidence in his product.
7) **Supports salesmanship**
   Advertising facilitates the work of a salesman. The customers are already familiar with the product which the salesman sells. The selling efforts of a salesman are greatly supplemented by advertising.
8) **More employment opportunities**
   Advertising provides and creates more employment opportunities for many talented people like painters, photographers, singers, cartoonists, musician and people working in different advertising agencies.

- **DISADVANTAGES/DEMERITS OR ARGUMENTS AGAINST ADVERTISING**
  1) **Add to costs**
     It is a medium for many advertisers to incur high cost compared to others. It increases cost of the products. To meet the expenditure the price of the product is raised.
  2) **Breaking up your favorite shows**
     Sometimes, people just want to watch that thriller shows straight through without having adverts but fortunately in between the shows the advertisement breaking up the action.
  3) **An online annoyance**
     Trying to stay absorbed in an online article when ads are popping up left, right and center can be very difficult.
  4) **A security risk**
     Sometimes accessing web pages or websites may also rise of "Adware". Malicious software that plants risky ads in the user computers.
  5) **Confuses buyers**
     Many a time distorted version of reality is shown in the advertising. They come to realize later that the information given in the advertisement was something else whereas the actual product was quite different from it.
  6) **Some advertisement is in bad taste**
     Many times, foul language and objectionable pictures are used in advertising in order to attract particular class. It causes decay of social values.

➲ PUBLICITY

- ✓ The word derived from French *"publicite"* means *"public"*.
- ✓ Publicity is gaining public visibility or awareness for a product, service or company name through media.
- ✓ ***According to American Marketing Association***, "publicity is a non-personal stimulation of demand for a product, service or business unit by planting commercially significant news about it in a published medium, or obtaining favourable presentation of it on radio, television or stage, that is not paid for by the sponsor."
- ✓ In other words, it is a non-personal stimulation of demand for a firm's product or service which is not paid for by the sponsor.

- **TYPES OF PUBLICITY**

1) **News releases**
An organization may issue news releases to mass media so that the media people can prepare interesting report on the new developments in the organizations and publish or broadcast them to general public.
2) **Feature articles**
An organization may use the service of an expert or a journalist to write interesting feature on the organization and its products. Once the feature article is ready it is forwarded to a specific media for publication.
3) **Press conferences**
An organization may request business reporters from important media to attend special press conferences where the new developments are communicated to the mass media.
4) **Sponsorship of social events**
An organization may receive a very good publicity if it sponsors social events like cultural gatherings, sporting events, seminars and many more.

- **IMPORTANCE OF PUBLICITY**

1) **To announce new products**
Publicity is a major tool to build public awareness about a new product. Many newspapers and magazines have special column dedicated to new products. The organization can develop strong consumer awareness by placing communication on those columns.
2) **To announce new policies**
The organization may introduce new bonuses or incentives to resellers and communicate it through the mass media. Such communication helps the organization to build its image as a good caretaker of its partners in the market.
3) **To counter negative rumors**
Competitors often spread negative rumors about the organization's financial health, management problems or product defects. Publicity is a very effective tool to counter those negative rumors.
4) **To announce technological breakthrough**
When an organization adopts a new technology, it may announce it to the general public through the mass media. Such communication helps the organization to establish itself as a technological leader in the industry.

5) **To report performance**
An organization may communicate its performance to the stockholders through the mass media. Such communication may be based on current problems, future prospects, future plans, financial situation, profits etc.

➲ PERSONAL SELLING

- ✓ Personal selling is where businesses use people to sell the product after meeting face-to-face with the customer.
- ✓ ***According to Herbert N Casson***, personal selling "is the art of understanding, appreciating and influencing other people for mutual benefits."
- ✓ In other words, it is a process of persuading and assisting a prospective customer to buy a commodity or service.

- **IMPORTANCE OF PERSONAL SELLING**

1) **Selling complex products**
Companies that sell complex products must be able to demonstrate or explain products to potential customers and deal with questions or queries. Representatives of company's use their experience and skills to convince customers and grab their attention.
2) **Focus on prospective customers**
Personal selling method focuses on prospective customers. In personal selling, prospective customers are identified then efforts to sell goods or services to them. In this method, sales can be made at minimum cost, less efforts and less time.
3) **Channel of communication**
Seller pays two-way roles in communication process. He communicates information about features, quality, utility, price etc of the products to customers.
4) **Social relations**
Sellers establish social and living relationship with customers. As a result, this helps to develop positive attitude of customers towards the firm.
5) **It provides feedback**
It involves two-way flow of communication between the buyer and the seller. It is a useful method of understanding and getting the knowledge about the needs and behavior of customers, attitude, tastes, habbits of customers.

6) **It complements advertising**
Salesmanship complements advertising in a way that advertising attracts customers by providing information about product but their doubt and questions about the product are answered by salesman. In this way personal selling supports advertising.

➲ PUBLIC RELATIONS (Meaning only)

- ✓ ***According to British Institute of Public Relations***, "Public relations practice is the planned and sustained efforts to establish and maintain goodwill and mutual understanding between an organization and its publics."
- ✓ In other words, It is a planned and purposeful activity undertaken by an organization to develop better mutual relationship with its public.

UNIT6- RECENT TRENDS IN MARKETING

➲ SOCIAL MEDIA MARKETING (SMM)

- ✓ Social media marketing (SMM) is a form of internet marketing that utilizes social networking websites as a marketing tool.
- ✓ In other words, SMM refers to techniques that target social networks and applications to spread brand awareness or promote particular products.
- ✓ The goal of SMM is to produce content that users will share with their social network to help a company increase brand exposure and broaden customer reach. The SMM includes the following:-

❖ FACEBOOK

- Facebook is a social networking service launched on February 4, 2004.
- Facebook was founded by Mark Zuckerberg with his college roommates.
- The website's membership was initially limited by the founders to Harvard students, but was expanded to other colleges and gradually most universities in the Unitied States and Cananda and now which is available worldwide with a valid email address.
- <u>Facebook and marketing</u>:-
  a. Marketer can boost posts by targeting audiences.
  b. Facebook Ads Manager can be used to promote posts.
  c. Marketer can create a Facebook pages.
  d. Sharing fan created content.
  e. Facebook Groups can be used as discussion forum.

❖ ORKUT

- Orkut was a social networking website owned and operated by Google.
- Orkut was launched on January 24, 2004.
- The website was founded by Orkut Buyukkokten.
- Orkut was one of the most visited websites in India and Brazil in 2008.
- In 2008 Google announced that Orkut would be fully managed and operated in Brazil, by Google Brazil, in the city Belo Horizonte.
- In 2009, Orkut changed its logo from "ORKUT" to "MY ORKUT".
- In September 30, 2014 Orkut get dissolved.

❖ TWITTER

- Twitter is an online news and social networking service where users post and interact with messages.
- Twitter was created in 21st march 2006.
- It was founded by Jack Dorsey, Noah Glass, Biz Stone and Evan Williams.
- Its headquarters is in San Francisco.
- Here, “tweets or messages” restricted only to 140 characters.

❖ LINKED IN

- LinkedIn is a business and employment oriented social networking service that operates via websites and mobile apps.
- It was founded in 28th December, 2002 and launched in 5th May 2003.
- It was founded by Reid Hoffman, Allen Blue, Konstantin Guericke, Ericly, Jean-Luc Vaillant.
- Its headquarters is in Calfornia, US.

➲ E-SHOPPING/ONLINE SHOPPING

- ✓ E-shopping terminology is used by International Business Machine (IBM) in 1997.
- ✓ E-shopping is the conduct of business on the internet or extranet, not only buying and selling but also serving customers and collaborating with business partners.
- ✓ The act of purchasing products or services over the internet is called online shopping.
  For example, Olx.in , Amazon etc.
- ✓ It is the process of buying goods and services from merchants over the internet. It includes varities of products to sell like books, clothing, household appliances, electronic goods etc. It includes the following:-

❖ **OLX.IN**

- Olx, founded in 2006 and it is an Argentinian global online marketplace.
- It was founded by Fabrice Grinda, Alec Oxenford.
- Olx operating in 45 countries and now it is operating in 96 countries with 40 different languages.
- It is the largest online classified ads company in India, Brazil, Poland, Pakistan, Portgual and Ukraine.
- OLX is concerned with dealing any kind of products like vehicles, Real estate, Matrimonial, Mobiles, Computers and many more.

❖ **QUIKR**

- Quikr is an Indian clasified advertising platform.
- It was founded by Pranay Chulet and Jiby Thomas in 2008.
- The headquarters of Quikr was in Bangalore.
- Quikr has listings in over 900 cities in India in categories such as mobile phones, household goods, cars, real estate, jobs, services and education.
- Other services offered include a missed call service and instant messaging.

❖ **AMAZON**

- Amazon was started by the name Cadabra in 1994.
- It went online as Amazon.com in 1995.
- The founder of amazon was Jeff Bezos.
- Amazon started selling everything from music, CD's, software, tools, toys, sporting goods etc.
- In November, 2007 amazon introduced Kindle e-book.

➲ E-BUSINESS/E-COMMERCE

✓ E-business is a market place where business is using Internet technologies to improve and transform:

- Their internal business processes
- Their business relationships
- The buying and selling of goods, services and information.

✓ In other words, it is a process of buying and selling of products and services across a telecommunications network is called e-business.

- **CATEGORIES/TYPES OF E-BUSINESS/ E-COMMERCE**
  1) **Business to Business (B2B)**
     In this case, sells products or services to other businesses or brings multiple buyers and sellers together in a central marketplace. It is also known as *"**vertical web community**."*
  2) **Business to Consumer (B2C)**
     Here, sells products or services directly to consumers. For example, virtual merchants like Amazon.com.
  3) **Business to Government (B2G)**
     Businesses selling to local, state, and federal agencies.
  4) **Consumer to Consumer (C2C)**
     Consumers sell directly to other consumers. For example olx.com
  5) **Government to Government (G2G)**
     Here departmental exchange of information taken place. For example, contacting, bidding etc.
  6) **Business to Employee (B2E)**
     Information and services made available to employees online. For example, online insurance policy management.

➲ **M-BUSINESS**

Mobile-Business means using a mobile phone or any other mobile device, to make business practice easier, more efficient or more profitable.

- **TOOLS OF M-BUSINESS**
  1) ***Bluetooth:*** It is a low cost short range radio link between laptops, mobile phones, network access points and other devices.
  2) ***Third generation network:*** 3G phones let the user to surf the internet and receive e-mails and video-clips.
  3) ***Wireless enabled personal digital assistants (PDAs):*** It is a handheld PC used to read e-mail and informant downloaded from the internet.
  4) ***Laptops:*** Laptops are the most commonly used M-business tool and it is used to access the internet and e-mail.
  5) ***SMS:*** Short message service used to send text messages via mobile phones.
  6) ***MMS:*** Multi-media messaging service is used to send audio, images and video messages via mobile phones.
  7) ***WI-FI:*** Wireless fidelity will used to connect local area networks (LAN) for PCs.

➲ HYPER MARKET (Meaning only)

Hyper market is a superstore combining a supermarket and department store. In other words, vast self-service warehouse-cum-retail outlet that combines the features of a supermarket, department store, discount store, and specialty store in one location. It is also known as *Hypermart*.

➲ CUSTOMER RELATION MARKETING (Meaning only)

CRM is a business process in which client relationships, customer loyalty and brand value are built through marketing strategies and activities.

In other words, the development of an ongoing connection between a company and its customers.

➲ EVENT MANAGEMENT/EVENT PLANNING (Meaning only)

Event management/planning is the application of project management to the creation and development of large scale events such as festivals, conferences, ceremonies, formal parties, concerts or conventions.

In other words, it is the process of using business management and organizational skills to plan and execute social and business events.
